

AN
INTRODUCTION TO
INTELLECTUAL PROPERTY LAW
FOR FIRST-YEAR STUDENTS

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Prepared for the Students of Santa Clara University School of Law
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AN INTRODUCTION TO INTELLECTUAL PROPERTY LAW

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I. INTELLECTUAL PROPERTY LAW IN THE UNITED STATES

Intellectual Property is among the most interesting aspects of property law. Property rights to information, ideas and other products of human creativity raise many interesting issues for property lawyers. Some people believe that intellectual creations should not be property at all. Even those convinced that intellectual property is appropriately treated as property usually seek to limit intellectual property rights. As a result, intellectual property rights are usually time-restricted and sometimes even evanescent.

A. Types of Intellectual Property

Modern intellectual property law in the United States is a mosaic of several different types of law. Within the field of property law intellectual property is considered a form of intangible property, which in turn is a form of personal property. The sources of intellectual property law are many and varied. State common law, federal statutes and constitutional law, all contribute to intellectual property law in the United States. Some intellectual property law comes from the United States Constitution. Much of intellectual property law is statutory. But common law concepts regarding the nature of property rights to information, ideas and even human personalities are also essential parts of intellectual property law. These materials provide an introduction to some of the basic property concepts fundamental to intellectual property law. Upper division courses at Santa Clara University School of Law afford a wide array of opportunities to study specific aspects of intellectual property law in greater depth.

Among the many facets of intellectual property law in the United States, the five most important forms of intellectual property are:

- Patent
- Copyright
- Trademark
- Trade Secrets
- Publicity Rights (also known as Rights of Privacy or Personality Rights)

Each is considered a distinct type of intangible personal property. The sections that follow briefly introduce these forms of intellectual property and outline some of the laws that govern them.

1. Patent

Article 1, Section 8 of the United States Constitution provides that “Congress shall have Power, . . . To Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . .” Note that, although this clause (Article I, Section 8, clause 8) is frequently referred to as “the Patent Clause,” the Constitutional language does not contain the word, “patent,” which came from British monopolies terminology. Enacted pursuant to this Constitutional directive, the federal Patent Act establishes a national system of property rights in inventions.

Current federal patent statutes give an inventor who receives a patent a limited monopoly over the use of his or her patented invention for 20 years from the time the patent application was filed. A “new and useful process, machine manufacture or composition of matter” is considered patentable. 35 U.S.C. § 101. Patent protection extends to computer science and to biotechnology, as well as to machines and devices. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), *infra*, is a United States Supreme Court decision that approved patents on living organisms. In addition to the utility patents that are the focus of the discussion that follows, there are a number of additional types of inventions afforded legal protection under specific statutes. For example, federal patent statutes protect design patents under 35 U.S.C. § 171-73; plants under the Plant Patent Act, 35 U.S.C. §§ 161-64 and the Plant Variety Protection Act, 7 U.S.C. § 2321; as well as rights regarding semiconductor electronic circuitry under the Semiconductor Chip Protection Act, 17 U.S.C. §§ 901-14.

The limited-time monopoly an inventor secures through issuance of a patent is granted to encourage new discoveries by rewarding invention. In exchange for this monopoly on use of a patented invention, the inventor must publicly disclose the patented invention and the best ways to use or practice it. After the term of the patent expires (20 years after the date the patent application is filed), the innovation becomes part of the public domain, freely available to all. 35 U.S.C. § 154.

The process for obtaining a utility patent requires an inventor to submit an application to the United States Patent and Trademark Office (PTO) which conducts a search of the prior art and examines the patent application under criteria set by the Patent Act and published PTO guidelines. To receive a utility patent, the invention must meet four requirements: patentable subject matter, novelty, utility and non-obviousness. The inventor must also disclose the innovation to the public in a way that would enable others to make and use the invention. Although the requirement regarding utility is fairly easy to satisfy, novelty and non-obviousness are often more difficult to establish. If after an independent review of the application, the PTO grants the patent, the inventor obtains the right to exclude others from making, using, offering to sell and selling the innovation for a term of 20 years from the date the patent application was filed. This monopoly is essentially negative - a veto power over use of the invention by others without authorization from the patent holder. This negative right of the patent holder is nearly absolute and will prevent even those who have independently developed the same invention from using or practicing the patented art. However, when a patented invention makes use of an earlier patented invention, the new patent cannot be “practiced” even by its inventor without permission from the earlier patentee.

Once a patent has been issued by the PTO to the inventor or inventors, the patent can be transferred, through assignments and licenses. Transfers of such rights regarding the patent are usually recorded in the PTO. Under the Patent Act, patent assignments, which have been recorded within three months of the date of the assignment, place later potential transferees on constructive notice that the patent rights were previously assigned and are therefore no longer available. This public registration system helps to clarify and to protect the rights of patent owners. 35 U.S.C. § 261.

An inventor is not required to seek a patent to protect the inventor’s claims to an invention. The inventor can, instead, protect the invention as a trade secret. (See discussion of trade secrets, *infra*.) However, not filing a timely patent application with the PTO risks loss of rights to patent the invention. For example, once an inventor describes an invention in a publication, the inventor has one year to file a patent application. If no application is filed within that time, the invention is deemed to be in the public domain. 35 U.S.C. § 102(b). The patent

statute requires that the patent application clearly disclose what the inventor claims to have discovered and how the invention works. 35 U.S.C. § 112. This required disclosure, revealing the precise contours of the claimed invention, is designed to promote technological advancement by making the art of the invention available to other inventors.

Unlike most of the rest of the world, in the United States competing claims to an invention are resolved by awarding the patent to the first to invent. Even if a later inventor files a patent application first, the patent will be awarded to the inventor who made the discovery first. Of course, an earlier inventor must establish earlier discovery of the invention. Usually, first discovery is established through regularly maintained laboratory notebooks and similar records. Elsewhere in the world, most other patent systems award a patent to the first inventor who files a patent application for a particular discovery.

Much of the value of patents comes from the patent owner's right to exclude competitors from using the patented invention and from the concomitant ability of patent owners to grant permission to use their inventions, usually in the form of licenses. The owner of a patent enforces it through bringing infringement actions against those who use the patented invention without such permission. Patent infringement is a very broad concept. Indeed, the doctrine of equivalents may result in a finding of patent infringement, even when the infringing item is not literally the same as the patented invention. Under the doctrine of equivalents, a product accused of patent infringement which does not exactly copy a patent may yet be found to be infringing "if it performs substantially the same function in substantially the same way to obtain the same result" as the patented product or process. *Graver Tank & Mfg. Co v. Linde Air Products Co.*, 339 U.S. 605, 608 (1950) (quoting from *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30, 42). The doctrine of equivalents is an equity doctrine, developed by courts to promote fairness. Courts "recognized that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing." *Id.* 339 U.S. at 607. The United States Supreme court recently discussed some of the many complications of the doctrine of equivalents, including patent history estoppel, in *Festo Corporation v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002).

To obtain damages for patent infringement, an inventor must first provide notice of the patent, either directly on the invention or by filing suit for patent infringement. The purpose of the patent notices commonly found on patented products (e.g., "U.S. Patent No. . . .") is to make sure that damage claims, which only begin to accrue when notice of the patent is given to an infringer, are not lost. Appeals in patent infringement actions are centralized under the exclusive jurisdiction of the United States Court of Appeals for the Federal Circuit. 28 U.S.C. § 1292(c).

2. Copyright

Article 1, Section 8, Clause 8 of the United States Constitution, noted above in connection with patents, empowers Congress "To Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . ." This Constitutional provision is often referred to as the "Copyright Clause," despite the fact that "copyright" is not literally mentioned, any more than "patent," in the constitutional language. *Feist Publications v. Rural Telephone Service*, 499 U.S. 340 (1991), presented *infra*, insists that this clause imposes limits on eligibility for federal copyright protection.

Modern copyright law confers several different types of rights to a wide variety of modes of expression, including literature, drama, visual arts (painting and sculpture), music (including

audio recordings, and performance rights), as well as the expressive element of computer programs. Ideas, as such, can not be copyrighted, 17 U.S.C. § 102(b), nor can titles of works. It is an author's or artist's particular expression of an idea that is protected by copyright law. To be eligible for copyright protection, a creative work must be fixed in a "tangible medium of expression" and exhibit at least some originality. 17 U.S.C. § 102(a). *Feist Publications*, infra, is concerned with interpreting this originality requirement. Moreover, only creative works that are fixed in tangible form are entitled to protection under the Copyright Act.

Copyright protection automatically attaches as soon as a work is fixed in a tangible medium of expression. No government agency examines the material for which copyright is claimed. The United States Copyright Office simply registers works for which copyright is claimed, as well as assignments of copyright rights. In general, copyright protection is easier to secure and lasts substantially longer than patent protection, although copyright protection is usually less extensive than patent protection. A copyright lasts for the life of the author plus 70 years. If there are two or more co-authors, it continues for 70 years beyond the last surviving co-author's death. If the author is an entity, as is often the case with regard to "works made for hire," the copyright endures for 95 years from the year of first publication, or 120 years from the year of creation, whichever is less. 17 U.S.C. § 302. The United States Supreme Court recently upheld these extended terms of copyright protection in *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

The Digital Millennium Copyright Act (DMCA), enacted to implement treaties connected with the World Intellectual Property Organization (WIPO), is one of the more important of the numerous amendments to the Copyright Act of 1976. The DMCA also contains provisions that protect online service providers from copyright liability, sets up a compulsory licensing scheme for the transmission of copyrighted music on the Internet and establishes penalties for circumventing anti-copying measures such as encryption. More recent amendments to the Copyright Act, in the form of the TEACH Act (Technology, Education and Copyright Harmonization Act), 17 U.S.C. § 110(c), provide exemptions to facilitate distance learning programs.

Copyright registration with the Copyright Office is not required to own a copyright. But, before a United States author can file an infringement suit, the copyright must be registered. 17 U.S.C. §§ 408-412. The 1976 Copyright Act also encourages copyright registration by recognizing registered copyrights as *prima facie* valid, 17 U.S.C. § 411, and by authorizing statutory damages and attorney fees for infringement which occurs after registration. 17 U.S.C. § 412. The United States is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, which provides that copyright shall "not be subject to any formality." As a result, Congress amended the 1976 Copyright Act to make the requirement that copyright owners register their works before bringing suit for infringement inapplicable to works whose countries of origin are other Berne Convention member nations. However, for copyrighted works created in the United States, registration and deposit of copies with the United States Copyright Office is still a prerequisite for infringement suits. The Copyright Act no longer requires the familiar notice of copyright: ©, followed by the date and author. However, to encourage authors to provide copyright notices, the Act precludes a defense of innocent infringement if the infringer used a copy which had a proper notice on it. 17 U.S.C. § 401(d).

Transfers of copyright ownership through licenses and assignments can be recorded in the Copyright Office. A recorded copyright transfer provides constructive notice of the transfer to later transferees, provided the transfer is recorded within one month if the copyright was transferred in the United States, or two months if it was transferred outside the United States, or

any time before a later transfer has been recorded. Under 17 U.S.C. § 205, the earliest registered copyright, or copyright license or assignment, generally prevails.

Copyright licenses are often narrowly construed. For example, the United States Supreme Court ruled that newspaper and magazine publishers licensed to publish articles by free-lance writers were not entitled to include these free-lance articles in computerized databases (such as LEXIS/NEXIS) without specific permission from the article's authors. Authors retain digital rights, unless an author has specifically conveyed them to the publisher. *New York Times v. Tasini*, 121 S.Ct. 2381 (2001). Another recent copyright decision found that an exclusive copyright license to publish material in one media, for example book publication rights to Kurt Vonnegut's *SLAUGHTERHOUSE-FIVE*, are not infringed when the author permits distribution of the same novel (Kurt Vonnegut's *SLAUGHTERHOUSE-FIVE*) as an electronic book. *Random House v. Rosetta Books LLC*, 150 F.Supp.2d 613 (S.D.N.Y. 2001), *judgment affirmed*, 283 F.3d 490 (2d Cir. 2002).

The Copyright Act of 1976, 17 U.S.C. §§ 1-702 confers several statutorily created copyright monopolies designed to reward and to foster creativity. Ownership of a valid copyright generally protects a copyright holder against unauthorized copying, display, distribution, public performance and preparation of derivative works - all of which constitute copyright infringement. For example, the *Napster* litigation resulted in findings of copyright infringement with regard to unlicensed Internet transmission of copyrighted recorded music in the form of digital audio files among Napster users. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) and 284 F.3d 1091 (9th Cir. 2002). Some of the more recent decisions with regard to file-sharing programs, such as Grokster, Morpheus and Aimster, are discussed *infra*.

Despite the relative ease with which copyright protection can be secured, copyrights result in much more limited rights than patents. A copyright entitles the holder to make or to authorize derivative works and to control sale and distribution of the work. But there are a number of limitations on these rights. For example, independent creation of copyrighted material does not infringe and does not violate the Copyright Act. Moreover, others are allowed to make "fair use" of the copyrighted material as determined by a balancing test. 17 U.S.C. § 107. "Fair use" was one of the issues decided against Napster in the litigation brought by A&M Records, *supra*, and is at issue in the two file-sharing cases regarding Aimster and Grokster, *infra*. Only in rare cases is it possible to directly prove infringement by deliberate copying. In most cases, courts have to infer copying from evidence that (1) that the infringer had access to the copyright holder's work and (2) that the two works are substantially similar.

3. Trademark

The traditional purpose of trademark law is quite different from that of patent and copyright law. Instead of seeking to reward creators and inventors, trademark law is aimed at protecting consumers against unscrupulous sellers who market falsely identified products, processes and services misidentified with well-known sources. Because the purpose of trademark law is to prevent copying of "brands," such as logos, trade dress or other identifying symbols, in ways that might confuse prospective purchasers, trademarks do not need to be either novel or original.

Trademark law is part of the more general law of unfair competition and involves laws against false advertising and misappropriation of good will. Certain aspects of federal trademark

law are also sometimes used to protect famous personalities against misappropriation and false endorsements. (See the *Midler*, *White* and *Hoffman* cases, *infra*).

Federal trademark protection is based on a federal statute, known as the Lanham Act of 1946, 15 U.S.C. §§ 1051-1127. The Lanham Act was enacted under Congress's power to regulate interstate commerce, Article I, § 8, clause 3, and not under the constitutional provision, Article I, § 8, clause 8, that specifically authorizes protection for patents and copyrights. *Trademark Cases*, 100 U.S. 82 (1879). The federal trademark statutes do not preempt state trademark laws that offer parallel trademark protection. State laws may provide trademark protection even when a trademark has not been federally registered. Moreover, state law regarding unfair competition and deceptive business practices may also provide additional legal remedies against false advertising and misappropriation.

The federal Lanham Act protects symbols, words and other identifying marks which associate goods or services in commerce with a particular source or identify them as of a particular type. Corporate and product names and logos, symbols, slogans, designs, colors, pictures, product configurations, trade dress and the like can be protected under the Lanham Act. However, not all such identifiers are eligible for protection. Only an identifying mark which represents the source of a good or service to consumers can be registered as a trademark. Federal trademark protection also extends to service marks, certification marks and collective marks. Additional protection for trademarks is provided under anti-cybersquatting legislation. *Virtual Works, Inc. v. Volkswagen of America, Inc.*, beginning on page 69 of the Dukeminier and Krier text provides an example of litigation regarding a trademark used in a domain name under the anti-cybersquatting statute. A contemporary illustration of federal trademark protection against dilution of a famous mark is the United States Supreme Court's decision in *Moseley*, *infra*, which involves the Victoria's Secret trademark.

A trademark must serve only as an identifier, usually of the source of particular goods or services. So a trademark is always "for" something - e.g., "Ford" for vehicles or "AOL" for Internet services. Trademark registration is limited to the association of a mark, or brand, with specified goods or services. But trademark law does not protect descriptions of goods or services, nor generic names for types of goods or services. Functional elements of products are also not eligible to serve as trademarks. The United States Supreme Court unanimously rejected trademark registration for a previously patented product feature, because utility patents are only issued for useful, functional inventions. *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 121 S.Ct. 1255 (2001). The case involved a part of a traffic sign structure that had been protected under an expired patent and was therefore not eligible for protection as a trademark or aspect of trade dress. The Court ruled that the Trademark Act "does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller. . . . Whether a utility patent has expired or there has been no utility patent at all, a product design which has a particular appearance may be functional [and therefore not protected as a trademark] because it is 'essential to the use or purpose of the article' or 'affects the cost or quality of the article.'" *Id.* at 1262-63.

Trademark protection is not limited to any fixed period of time. A trademark is established by using the mark on goods in commerce and does not have an expiration date. Rather, a trademark continues as intellectual property until it loses its distinctiveness. For example, a trademark is no longer eligible for protection once it becomes generic. A trademark may also be lost through being abandoned by its owner.

The United States Patent and Trademark Office (PTO), registers trademarks. After examination by the United States Patent and Trademark Office, federal trademark registration results in significant nationwide benefits to trademark owners. Registered trademarks are often indicated by familiar trademark signs, such as “®” for federally registered trademarks, or “™” or “K.” Federal trademark registration with the PTO establishes *prima facie* evidence both of the validity of the trademark and of nationwide use of the mark, 15 U.S.C. § 1057(b) and (c). Federal registration also provides public notice of the registrant’s claim of ownership of the mark and makes the mark incontestable after five years of continuous use, 15 U.S.C. §§ 1072 and 1065. Moreover, federal registration confers federal court jurisdiction over trademark disputes. 15 U.S.C. § 1121. If infringement is established, treble damages and the award of attorney fees are available remedies, in addition to injunction. 15 U.S.C. §§ 1116-1120. Federal trademark law also establishes a right to bar importation of goods bearing infringing marks.

The PTO maintains a recording system for transfers of registered trademarks. These recorded assignments of trademarks provide constructive notice to later would-be assignees that the trademark has already been assigned to someone else. Trademark assignments recorded within three months of the assignment or prior to a subsequent purchase are enforceable against later purchasers for valuable consideration who have no actual notice of the earlier transfer of the trademark. 15 U.S.C. § 1060.

Trademarks can be licensed, often within particular geographic areas, for example in connection with franchises of fast food restaurants such as McDonald’s®. However, when a trademark, such as McDonald’s®, is licensed to a franchisee, the registered owner of the mark is obliged to make sure that the franchisee/licensee carefully meets consumer expectations about the licensee’s goods or services (e.g., McDonald’s fast food) as up to the standard of the trademarked source.

If someone other than the trademark owner uses a mark similar to the trademark to identify competing goods, the trademark owner can sue for trademark infringement. Proof of trademark infringement requires persuading the court that consumers are likely to be confused with regard to the source of the goods or services. An infringer’s mark does not need to be identical to the plaintiff’s registered trademark. Nor does the plaintiff have to show that the infringer deliberately copied the trademark. Liability for trademark infringement depends upon showing consumer confusion. Once infringement is established, the infringer’s use of the confusing mark will be enjoined and damages awarded for past infringement. Sometimes infringing goods are seized and destroyed.

An addition to the Lanham Act now protects “famous” marks as property rights. An owner of a famous mark can prevent unauthorized use of that mark in ways that dilute the association of the mark with particular goods or services. An example of this protection against dilution of the good will associated with well-known trademarks is provided in the recent *Mosley* (Victoria’s Secret) decision of the United States Supreme Court, *infra*.

State Law forms of Intellectual Property

4. Trade Secrets

In addition to the three types of federal statutory intellectual property rights described above, state law protects against the misappropriation of certain types of confidential and commercially valuable information. Trade secrets can include a wide

variety of business and technical information, including know-how, formulas, programs, compilations of data, devices, processes and even customer lists. Trade secret law seeks to prevent unauthorized use of confidential information acquired through unfair or commercially unreasonable means. Common law protection for trade secrets is sometimes codified in state trade secrets statutes, many of which are based on the Uniform Trade Secrets Act. The California version of the Uniform Trade Secrets Act can be found in California Civil Code §§ 3426 - 3426.11.

To be eligible for protection as a trade secret, information must be kept secret. Although absolute secrecy is not required, trade secret protection requires reasonable efforts to maintain secrecy. Although trade secrets have no definite term, or limited time of protection, a trade secret loses protection when it is no longer secret. Protection of trade secrets often depends on practical strategies designed to maintain secrecy and to prevent misappropriation. Contractual obligations regarding use of confidential information (non-disclosure agreements or “NDAs”) are a frequent basis for protection of trade secrets. Employment contracts and contracts to use or to evaluate a technology frequently contain confidentiality provisions requiring non-disclosure and protection of trade secrets.

Liability for misappropriation of trade secrets generally arises out of two types of circumstances: first, when a defendant has obtained a trade secret by theft or other improper means; and second, when a defendant has violated a confidential relationship by using or disclosing a trade secret. Liability for violation of trade secret law can result in damages and, in some situations, injunctions against further use or disclosure of the trade secret.

There is no liability for independent discovery or invention of the information or know-how that is a trade secret, because such discoveries do not constitute misappropriation. “Reverse engineering” a legally obtained product embodying a trade secret to determine how the product was made is considered legitimate competitive behavior, and not trade secret theft.

Trade secrets are not registered or otherwise validated by a government agency. Unlike patents, they are not required to be disclosed. Trade secrets last as long as the owner maintains the confidentiality of the information. Because of the danger of disclosing a trade secret in recording its transfer, generally the details of trade secrets are not themselves recorded, although evidence regarding the existence or transfer of trade secrets may appear in various public records, including court decisions.

An unusual United States Supreme Court decision involving a regulatory taking of trade secrets in the form of data about pesticides is the last case in these materials, *Ruckelshaus v. Monsanto Company, infra*. Those interested in trade secrets may want to look at that case now for definitions and examples of trade secrets.

5. Publicity Rights (Privacy Appropriation Rights or Rights of Personality)

The rights of famous personalities to control the commercial use of their identities, or personas are a relatively recent development in state intellectual property law. The

name of this type of intellectual property right varies from state to state. “Rights of publicity” “rights of privacy” and “personality rights” are the most common descriptions. These rights protect a famous person’s name, likeness and other aspects of personal identity against commercial use without the person’s consent. In some states, protection for personality rights is statutory. In other states, it is a common law right. Yet other states, such as California, recognize both common law and statutory rights of personality. The right to publicity developed in the latter half of the twentieth century out of the tort right to privacy. This right to privacy was suggested in a famous law review article written by Louis Brandeis, who later became a Justice of the United States Supreme Court. S. Warren and L. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890). Today most jurisdictions in the United States protect the right of publicity as a property right. Among the interesting applications of the property right of publicity are the cases reproduced below involving Bette Midler, Vanna White, Dustin Hoffman and Tiger Woods, as well as the Elvis Presley cases that will be discussed *infra*, in connection with Transfers of Property at Death.



B. Ownership of Information

The traditional place to begin exploring intellectual property law is with the United States Supreme Court's 1918 decision in *International News Service v. Associated Press*.

The Associated Press (AP) claimed ownership of news about events reported in stories AP reporters sent from the European front during World War I. Since the competing International News Service (INS) reporters were not permitted by the combatants to send news reports from the European battlefields, INS took information about battlefield events from the AP reports and wrote them into INS stories about the same events in Europe. AP sought to prevent INS from "pirating" what AP considered to be AP's information. At that time, technical requirements of federal Copyright Law made copyright protection of the news stories unavailable as a practical matter. So AP argued that AP's claimed property rights to the news events AP reported had a more general basis in property law.

After you have read the edited version of the majority opinion by Justice Pitney beginning on page 60 of the Dukeminier & Krier text, consider the following excerpts from the dissenting opinions of Justice Holmes and Justice Brandeis. (Pictures of these two legendary Justices appear on pages 1142 and 1146 of the Dukeminier & Krier text.) The opinions excerpted here have had perhaps more influence on modern intellectual property law than the majority opinion.

INTERNATIONAL NEWS SERVICE V. ASSOCIATED PRESS

248 U.S. 215, 39 S.Ct. 68 (1918)

Supreme Court of the United States

Excerpts from Dissenting Opinions

Mr. Justice HOLMES, dissenting.

When an uncopyrighted combination of words is published there is no general right to forbid other people repeating them -- in other words there is no property in the combination or in the thoughts or facts that the words express. Property, a creation of law, does not arise from value, although exchangeable -- a matter of fact. Many exchangeable values may be destroyed intentionally without compensation. Property depends upon exclusion by law from interference, and a person is not excluded from using any combination of words merely because some one has used it before, even if it took labor and genius to make it. If a given person is to be prohibited from making the use of words that his neighbors are free to make some other ground must be found. One such ground is vaguely expressed in the phrase unfair trade. This means that the words are repeated by a competitor in business in such a way as to convey a misrepresentation that materially injures the person who first used them, by appropriating credit of some kind which the first user has earned. The ordinary case is a representation by device, appearance, or other indirection that the defendant's goods come from the plaintiff. . . . The ordinary case, I say, is palming off the defendant's product as the plaintiff's but the same evil may follow from the opposite falsehood--from saying whether in words or by implication that the plaintiff's product is the defendant's, and that, it seems to me, is what has happened here.

Fresh news is got only by enterprise and expense. To produce such news as it is produced by the defendant represents by implication that it has been acquired by the defendant's enterprise and at its expense. When it comes from one of the great news collecting agencies like the Associated Press, the source generally is indicated, plainly importing that credit; and that such a representation is implied may be inferred with some confidence from the unwillingness of the defendant to give the credit and tell the truth. If the plaintiff produces the news at the same time that the defendant does, the defendant's presentation impliedly denies to the plaintiff the credit of collecting the facts and assumes that credit to the defendant. If the plaintiff is later in Western cities it naturally will be supposed to have obtained its information from the defendant. The falsehood is a little more subtle, the injury, a little more indirect, than in ordinary cases of unfair trade, but I think that the principle that condemns the one condemns the other. It is a question of how strong an infusion of fraud is necessary to turn a flavor into a poison. This does seem to me strong enough here to need a remedy from the law. But as, in my view, the only ground of complaint that can be recognized without legislation is the implied misstatement, it can be corrected by stating the truth; and a suitable acknowledgment of the source is all that the plaintiff can require. I think that within the limits recognized by the decision of the Court the defendant should be enjoined from publishing news obtained from the Associated Press for hours after publication by the plaintiff unless it gives express credit to the Associated Press; the number of hours and the form of acknowledgment to be settled by the District Court.

Mr. Justice McKENNA concurs in this opinion.

Mr. Justice BRANDEIS, dissenting. [Many footnotes are omitted.]

There are published in the United States about 2,500 daily papers.¹ More than 800 of them are supplied with domestic and foreign news of general interest by the Associated Press – a corporation without capital stock which does not sell news or earn or seek to earn profits, but serves merely as an instrumentality by means of which these papers supply themselves at joint expense with such news. Papers not members of the Associated Press depend for their news of general interest largely upon agencies organized for profit.² Among these agencies is the International News Service which supplies news to about 400 subscribing papers. It has, like the Associated Press, bureaus and correspondents in this and foreign countries; and its annual expenditures in gathering and distributing news is about \$2,000,000. Ever since its organization in 1909, it has included among the sources from which it gathers news, copies (purchased in the open market of early editions of some papers published by members of the Associated Press and the bulletins publicly posted by them. These items, which constitute but a small part of the news transmitted to its subscribers, are generally verified by the International News Service before transmission; but frequently items are transmitted without verification; and occasionally even without being re-written. In no case is the fact

¹See American Newspaper Annual and Directory (1918) pp. 4, 10, 1193- 1212.

²The Associated Press, by Frank B. Noyes, Sen. Doc. No. 27, 63d Congress, First Session. In a brief filed in this court by counsel for the Associated Press the number of its members is stated to be 1030. Some members of the Associated Press are also subscribers to the International News Service. Strictly the member is not the publishing concern, but an individual who is the sole or part owner of a newspaper, or an executive officer of a company which owns one. By-laws, article II, section 1.

disclosed that such item was suggested by or taken from a paper or bulletin published by an Associated Press member.

No question of statutory copyright is involved. The sole question for our consideration is this: Was the International News Service properly enjoined from using, or causing to be used gainfully, news of which it acquired knowledge by lawful means (namely, by reading publicly posted bulletins or papers purchased by it in the open market) merely because the news had been originally gathered by the Associated Press and continued to be of value to some of its members, or because it did not reveal the source from which it was acquired? . . .

News is a report of recent occurrences. The business of the news agency is to gather systematically knowledge of such occurrences of interest and to distribute reports thereof. The Associated Press contended that knowledge so acquired is property, because it costs money and labor to produce and because it has value for which those who have it not are ready to pay; that it remains property and is entitled to protection as long as it has commercial value as news; and that to protect it effectively, the defendant must be enjoined from making, or causing to be made, any gainful use of it while it retains such value. An essential element of individual property is the legal right to exclude others from enjoying it. If the property is private, the right of exclusion may be absolute; if the property is affected with a public interest, the right of exclusion is qualified. But the fact that a product of the mind has cost its producer money and labor, and has a value for which others are willing to pay, is not sufficient to ensure to it this legal attribute of property. The general rule of law is, that the noblest of human productions -- knowledge, truths ascertained, conceptions, and ideas -- became, after voluntary communication to others, free as the air to common use. Upon these incorporeal productions the attribute of property is continued after such communication only in certain classes of cases where public policy has seemed to demand it. These exceptions are confined to productions which, in some degree, involve creation, invention, or discovery. But by no means all such are endowed with this attribute of property. The creations which are recognized as property by the common law are literary, dramatic, musical, and other artistic creations; and these have also protection under the copyright statutes. The inventions and discoveries upon which this attribute of property is conferred only by statute, are the few comprised within the patent law. There are also many other cases in which courts interfere to prevent curtailment of plaintiff's enjoyment of incorporeal productions; and in which the right to relief is often called a property right, but is such only in a special sense. In those cases, the plaintiff has no absolute right to the protection of his production; he has merely the qualified right to be protected as against the defendant's acts, because of the special relation in which the latter stands or the wrongful method or means employed in acquiring the knowledge or the manner in which it is used. Protection of this character is afforded where the suit is based upon breach of contract or of trust or upon unfair competition.

The knowledge for which protection is sought in the case at bar is not of a kind upon which the law has heretofore conferred the attributes of property; nor is the manner of its acquisition or use nor the purpose to which it is applied, such as has heretofore been recognized as entitling a plaintiff to relief. . . .

Plaintiff further contended that defendant's practice constitutes unfair competition, because there is 'appropriation without cost to itself of values created by' the plaintiff; and it is upon this ground that the decision of this court appears to be based. To appropriate and use for profit, knowledge and ideas produced by other men, without making compensation or even acknowledgment, may be inconsistent with a finer sense of propriety; but, with the exceptions indicated above, the law has heretofore sanctioned the practice. Thus it was held that one may ordinarily make and sell anything in any form, may copy with exactness that which another has

produced, or may otherwise use his ideas without his consent and without the payment of compensation, and yet not inflict a legal injury; and that ordinarily one is at perfect liberty to find out, if he can by lawful means, trade secrets of another, however valuable, and then use the knowledge so acquired gainfully, although it cost the original owner much in effort and in money to collect or produce.

Such taking and gainful use of a product of another which, for reasons of public policy, the law has refused to endow with the attributes of property, does not become unlawful because the product happens to have been taken from a rival and is used in competition with him. The unfairness in competition which hitherto has been recognized by the law as a basis for relief, lay in the manner or means of conducting the business; and the manner or means held legally unfair, involves either fraud or force or the doing of acts otherwise prohibited by law. In the 'passing off' cases (the typical and most common case of unfair competition), the wrong consists in fraudulently representing by word or act that defendant's goods are those of plaintiff. . . . In the other cases, the diversion of trade was effected through physical or moral coercion, or by inducing breaches of contract or of trust or by enticing away employees. In some others, called cases of simulated competition, relief was granted because defendant's purpose was unlawful; namely, not competition but deliberate and wanton destruction of plaintiff's business.

That competition is not unfair in a legal sense, merely because the profits gained are unearned, even if made at the expense of a rival, is shown by many cases besides those referred to above. He who follows the pioneer into a new market, or who engages in the manufacture of an article newly introduced by another, seeks profits due largely to the labor and expense of the first adventurer; but the law sanctions, indeed encourages, the pursuit. He who makes a city known through his product, must submit to sharing the resultant trade with others who, perhaps for that reason, locate there later. . . .

The means by which the International News Service obtains news gathered by the Associated Press is also clearly unobjectionable. It is taken from papers bought in the open market or from bulletins publicly posted. No breach of contract . . . or of trust . . . and neither fraud nor force is involved. The manner of use is likewise unobjectionable. No reference is made by word or by act to the Associated Press, either in transmitting the news to subscribers or by them in publishing it in their papers. Neither the International News Service nor its subscribers is gaining or seeking to gain in its business a benefit from the reputation of the Associated Press. They are merely using its product without making compensation. . . . That they have a legal right to do, because the product is not property, and they do not stand in any relation to the Associated Press, either of contract or of trust, which otherwise precludes such use. The argument is not advanced by characterizing such taking and use a misappropriation.

It is also suggested that the fact that defendant does not refer to the Associated Press as the source of the news may furnish a basis for the relief. But the defendant and its subscribers, unlike members of the Associated Press, were under no contractual obligation to disclose the source of the news; and there is no rule of law requiring acknowledgment to be made where uncopied matter is reproduced. The International News Service is said to mislead its subscribers into believing that the news transmitted was originally gathered by it and that they in turn mislead their readers. There is, in fact, no representation by either of any kind. Sources of information are sometimes given because required by contract; sometimes because naming the source gives authority to an otherwise incredible statement; and sometimes the source is named because the agency does not wish to take the responsibility itself of giving currency to the news. But no representation can properly be implied from omission to mention the source of

information except that the International News Service is transmitting news which it believes to be credible. . . .

The rule for which the plaintiff contends would effect an important extension of property rights and a corresponding curtailment of the free use of knowledge and of ideas; and the facts of this case admonish us of the danger involved in recognizing such a property right in news, without imposing upon news-gatherers corresponding obligations. . . .

A Legislature, urged to enact a law by which one news agency or newspaper may prevent appropriation of the fruits of its labors by another, would consider such facts and possibilities and others which appropriate inquiry might disclose. Legislators might conclude that it was impossible to put an end to the obvious injustice involved in such appropriation of news, without opening the door to other evils, greater than that sought to be remedied. . . .

Or legislators dealing with the subject might conclude, that the right to news values should be protected to the extent of permitting recovery of damages for any unauthorized use, but that protection by injunction should be denied, just as courts of equity ordinarily refuse (perhaps in the interest of free speech) to restrain actionable libels, and for other reasons decline to protect by injunction mere political rights; and as Congress has prohibited courts from enjoining the illegal assessment or collection of federal taxes. If a Legislature concluded to recognize property in published news to the extent of permitting recovery at law, it might, with a view to making the remedy more certain and adequate, provide a fixed measure of damages, as in the case of copyright infringement.

Or again, a Legislature might conclude that it was unwise to recognize even so limited a property right in published news as that above indicated; but that a news agency should, on some conditions, be given full protection of its business; and to that end a remedy by injunction as well as one for damages should be granted, where news collected by it is gainfully used without permission. If a Legislature concluded . . . that under certain circumstances news-gathering is a business affected with a public interest; it might declare that, in such cases, news should be protected against appropriation, only if the gatherer assumed the obligation of supplying it at reasonable rates and without discrimination, to all papers which applied therefor. If legislators reached that conclusion, they would probably go further, and prescribe the conditions under which and the extent to which the protection should be afforded; and they might also provide the administrative machinery necessary for insuring to the public, the press, and the news agencies, full enjoyment of the rights so conferred.

Courts are ill-equipped to make the investigations which should precede a determination of the limitations which should be set upon any property right in news or of the circumstances under which news gathered by a private agency should be deemed affected with a public interest. Courts would be powerless to prescribe the detailed regulations essential to full enjoyment of the rights conferred or to introduce the machinery required for enforcement of such regulations. Considerations such as these should lead us to decline to establish a new rule of law in the effort to redress a newly disclosed wrong, although the propriety of some remedy appears to be clear.



C. Copyright and Creativity

A decade before the decision in *INS v. AP, supra*, Justice Holmes expressed concern about treating the products of human creativity as property rights. In one of the most important music copyright decisions, *White-Smith Music Publishing Company v. Apollo Company*, 209 U.S. 1 (1908), the United States Supreme Court determined that player-piano rolls did not infringe copyrighted sheet music of the same songs.

WHITE-SMITH MUSIC PUBLISHING COMPANY V. APOLLO COMPANY 209 U.S. 1, 18 (1908)

In his concurring opinion in *White-Smith Music Publishing Company v. Apollo Company*, 209 U.S. 1, 18 (1908), Justice Holmes agreed with the majority that the player piano rolls did not infringe the sheet music copyright. But he wrote a specially concurring opinion discussing the peculiar nature of property rights to copyrights, especially copyrighted music:

The notion of property starts, I suppose, from confirmed possession of a tangible object, and consists in the right to exclude others from interference with the more or less free doing with it as one wills. But in copyright property has reached a more abstract expression. The right to exclude is not directed to an object in possession or owned, but is *in vacuo*, so to speak. It restrains the spontaneity of men where, but for it, there would be nothing of any kind to hinder their doing as they saw fit. It is a prohibition of conduct remote from the persons or tangibles of the party having the right. It may be infringed a thousand miles from the owner and without his ever becoming aware of the wrong. It is a right which could not be recognized or endured for more than a limited time and therefore, I may remark, in passing, it is one which hardly can be conceived except as a product of statute, as the authorities now agree.

The ground of this extraordinary right is that the person to whom it is given has invented some new collocation of visible or audible points, – of lines, colors, sounds, or words. The restraint is directed against reproducing this collocation, although, but for the invention and the statute, anyone would be free to combine the contents of the dictionary, the elements of the spectrum, or the notes of the gamut in any way that he had the wit to devise. The restriction is confined to the specific form, to the collocation devised, of course, but one would expect that, if it was to be protected at all, that collocation would be protected according to what was its essence. One would expect the protection to be coextensive not only with the invention, which, though free to all, only one had the ability to achieve, but with the possibility of reproducing the result which gives to the invention its meaning and worth. A musical composition is a rational collocation of sounds apart from concepts, reduced to a tangible expression from which the collocation can be reproduced either with or without continuous human intervention. On principle anything that mechanically reproduces that collocation of sounds ought to be held a copy, or, if the statute is too narrow, ought to be made so by a further

act, except so far as some extraneous consideration of policy may oppose. What license may be implied from a sale of the copyrighted article is a different and harder question, but I leave it untouched, as license is not relied upon as a ground for the judgment of the court. *Id.* at 19-20. (Holmes, J., concurring.).

More recently, the United States Supreme Court echoed concerns about the importance of not unduly restricting public access to information. In *Feist Publications v. Rural Telephone Service Company*, the Supreme Court ruled that copyright protection is unavailable with regard to collections of basic information, such as telephone numbers, in which there is insufficient originality to satisfy the requirements of United States Constitution's copyright clause. The lack of intellectual property protection for many databases in the United States is related to this ruling.

FEIST PUBLICATIONS, INC. V. RURAL TELEPHONE SERVICE COMPANY, INC.
499 U.S. 340, 111 S.Ct. 1282 (1991)
Supreme Court of the United States

Justice O'CONNOR delivered the opinion of the Court.

This case requires us to clarify the extent of copyright protection available to telephone directory white pages.

I

Rural Telephone Service Company, Inc., is a certified public utility that provides telephone service to several communities in northwest Kansas. It is subject to a state regulation that requires all telephone companies operating in Kansas to issue annually an updated telephone directory. Accordingly, as a condition of its monopoly franchise, Rural publishes a typical telephone directory, consisting of white pages and yellow pages. The white pages list in alphabetical order the names of Rural's subscribers, together with their towns and telephone numbers. The yellow pages list Rural's business subscribers alphabetically by category and feature classified advertisements of various sizes. Rural distributes its directory free of charge to its subscribers, but earns revenue by selling yellow pages advertisements.

Feist Publications, Inc., is a publishing company that specializes in area-wide telephone directories. Unlike a typical directory, which covers only a particular calling area, Feist's area-wide directories cover a much larger geographical range, reducing the need to call directory assistance or consult multiple directories. The Feist directory that is the subject of this litigation covers 11 different telephone service areas in 15 counties and contains 46,878 white pages listings--compared to Rural's approximately 7,700 listings. Like Rural's directory, Feist's is distributed free of charge and includes both white pages and yellow pages. Feist and Rural compete vigorously for yellow pages advertising.

As the sole provider of telephone service in its service area, Rural obtains subscriber information quite easily. Persons desiring telephone service must apply to Rural and provide

their names and addresses; Rural then assigns them a telephone number. Feist is not a telephone company, let alone one with monopoly status, and therefore lacks independent access to any subscriber information. To obtain white pages listings for its area-wide directory, Feist approached each of the 11 telephone companies operating in northwest Kansas and offered to pay for the right to use its white pages listings.

Of the 11 telephone companies, only Rural refused to license its listings to Feist. Rural's refusal created a problem for Feist, as omitting these listings would have left a gaping hole in its area-wide directory, rendering it less attractive to potential yellow pages advertisers. In a decision subsequent to that which we review here, the District Court determined that this was precisely the reason Rural refused to license its listings. The refusal was motivated by an unlawful purpose "to extend its monopoly in telephone service to a monopoly in yellow pages advertising." *Rural Telephone Service Co. v. Feist Publications, Inc.*, 737 F.Supp. 610, 622 (Kan.1990).

Unable to license Rural's white pages listings, Feist used them without Rural's consent. Feist began by removing several thousand listings that fell outside the geographic range of its area-wide directory, then hired personnel to investigate the 4,935 that remained. These employees verified the data reported by Rural and sought to obtain additional information. As a result, a typical Feist listing includes the individual's street address; most of Rural's listings do not. Notwithstanding these additions, however, 1,309 of the 46,878 listings in Feist's 1983 directory were identical to listings in Rural's 1982-1983 white pages. App. 54 (¶ 15-16), 57. Four of these were fictitious listings that Rural had inserted into its directory to detect copying.

Rural sued for copyright infringement . . . taking the position that Feist, in compiling its own directory, could not use the information contained in Rural's white pages. Rural asserted that Feist's employees were obliged to travel door-to-door or conduct a telephone survey to discover the same information for themselves. Feist responded that such efforts were economically impractical and, in any event, unnecessary because the information copied was beyond the scope of copyright protection. . . .

II

A

This case concerns the interaction of two well-established propositions. The first is that facts are not copyrightable; the other, that compilations of facts generally are. Each of these propositions possesses an impeccable pedigree. That there can be no valid copyright in facts is universally understood. The most fundamental axiom of copyright law is that "[n]o author may copyright his ideas or the facts he narrates." *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 556, 105 S.Ct. 2218, 2228, 85 L.Ed.2d 588 (1985). Rural wisely concedes this point, noting in its brief that "[f]acts and discoveries, of course, are not themselves subject to copyright protection." Brief for Respondent 24. At the same time, however, it is beyond dispute that compilations of facts are within the subject matter of copyright. Compilations were expressly mentioned in the Copyright Act of 1909, and again in the Copyright Act of 1976.

There is an undeniable tension between these two propositions. Many compilations consist of nothing but raw data -- i.e., wholly factual information not accompanied by any original written expression. On what basis may one claim a copyright in such a work? Common sense tells us that 100 uncopyrightable facts do not magically change their status when gathered together in one place. Yet copyright law seems to contemplate that compilations that consist exclusively of facts are potentially within its scope.

The key to resolving the tension lies in understanding why facts are not copyrightable. The sine qua non of copyright is originality. To qualify for copyright protection, a work must be original to the author. . . . To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, "no matter how crude, humble or obvious" it might be. . . . Originality does not signify novelty; a work may be original even though it closely resembles other works so long as the similarity is fortuitous, not the result of copying. To illustrate, assume that two poets, each ignorant of the other, compose identical poems. Neither work is novel, yet both are original and, hence, copyrightable. . . .

Originality is a constitutional requirement. The source of Congress' power to enact copyright laws is Article I, § 8, cl. 8, of the Constitution, which authorizes Congress to "secur[e] for limited Times to Authors ... the exclusive Right to their respective Writings." . . .

It is this bedrock principle of copyright that mandates the law's seemingly disparate treatment of facts and factual compilations. . . . This is because facts do not owe their origin to an act of authorship. The distinction is one between creation and discovery: The first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence. To borrow from Burrow-Giles, one who discovers a fact is not its "maker" or "originator." 111 U.S., at 58, 4 S.Ct., at 281. . . .

Factual compilations, on the other hand, may possess the requisite originality. The compilation author typically chooses which facts to include, in what order to place them, and how to arrange the collected data so that they may be used effectively by readers. These choices as to selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws. . . . Thus, even a directory that contains absolutely no protectable written expression, only facts, meets the constitutional minimum for copyright protection if it features an original selection or arrangement.

This protection is subject to an important limitation. The mere fact that a work is copyrighted does not mean that every element of the work may be protected. Originality remains the sine qua non of copyright; accordingly, copyright protection may extend only to those components of a work that are original to the author. . . . Thus, if the compilation author clothes facts with an original collocation of words, he or she may be able to claim a copyright in this written expression. Others may copy the underlying facts from the publication, but not the precise words used to present them. . . . Where the compilation author adds no written expression but rather lets the facts speak for themselves, the expressive element is more elusive. The only conceivable expression is the manner in which the compiler has selected and arranged the facts. Thus, if the selection and arrangement are original, these elements of the work are eligible for copyright protection. . . . No matter how original the format, however, the facts themselves do not become original through association. . . .

This inevitably means that the copyright in a factual compilation is thin. Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another's publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement. . . .

It may seem unfair that much of the fruit of the compiler's labor may be used by others without compensation. . . . The primary objective of copyright is not to reward the labor of authors, but "[t]o promote the Progress of Science and useful Arts." Art. I, § 8, cl. 8. . . . To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. . . . This principle, known as

the idea/expression or fact/expression dichotomy, applies to all works of authorship. As applied to a factual compilation, assuming the absence of original written expression, only the compiler's selection and arrangement may be protected; the raw facts may be copied at will. This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art. . . .

This, then, resolves the doctrinal tension: Copyright treats facts and factual compilations in a wholly consistent manner. Facts, whether alone or as part of a compilation, are not original and therefore may not be copyrighted. A factual compilation is eligible for copyright if it features an original selection or arrangement of facts, but the copyright is limited to the particular selection or arrangement. In no event may copyright extend to the facts themselves.

B

As we have explained, originality is a constitutionally mandated prerequisite for copyright protection.

The "sweat of the brow" doctrine had numerous flaws, the most glaring being that it extended copyright protection in a compilation beyond selection and arrangement--the compiler's original contributions--to the facts themselves. Under the doctrine, the only defense to infringement was independent creation. . . . "Sweat of the brow" courts thereby eschewed the most fundamental axiom of copyright law-- that no one may copyright facts or ideas. See *Miller v. Universal City Studios, Inc.*, 650 F.2d, at 1372 (criticizing "sweat of the brow" courts because "ensur[ing] that later writers obtain the facts independently ... is precisely the scope of protection given . . . copyrighted matter, and the law is clear that facts are not entitled to such protection").

C

. . . . In enacting the Copyright Act of 1976, Congress . . . [adopted] the phrase "original works of authorship." 17 U.S.C. § 102(a).

The definition of "compilation" is found in § 101 of the 1976 Act. It defines a "compilation" in the copyright sense as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship" (emphasis added).

The purpose of the statutory definition is to emphasize that collections of facts are not copyrightable per se. . . . The statute identifies three distinct elements and requires each to be met for a work to qualify as a copyrightable compilation: (1) the collection and assembly of pre-existing material, facts, or data; (2) the selection, coordination, or arrangement of those materials; and (3) the creation, by virtue of the particular selection, coordination, or arrangement, of an "original" work of authorship. "[T]his tripartite conjunctive structure is self-evident, and should be assumed to 'accurately express the legislative purpose.' " Patry 51, quoting *Mills Music*, 469 U.S., at 164, 105 S.Ct., at 645. . . .

The key to the statutory definition is the second requirement. It instructs courts that, in determining whether a fact-based work is an original work of authorship, they should focus on the manner in which the collected facts have been selected, coordinated, and arranged. This is a straightforward application of the originality requirement. Facts are never original, so the compilation author can claim originality, if at all, only in the way the facts are presented. To that end, the statute dictates that the principal focus should be on whether the selection, coordination, and arrangement are sufficiently original to merit protection. . . . [W]e conclude that the statute envisions that there will be some fact-based works in which the selection, coordination, and arrangement are not sufficiently original to trigger copyright protection.

As discussed earlier, however, the originality requirement is not particularly stringent. A compiler may settle upon a selection or arrangement that others have used; novelty is not required. Originality requires only that the author make the selection or arrangement independently (i.e., without copying that selection or arrangement from another work), and that it display some minimal level of creativity. Presumably, the vast majority of compilations will pass this test, but not all will. There remains a narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent. . . .

Even if a work qualifies as a copyrightable compilation, it receives only limited protection. This is the point of § 103 of the Act. Section 103 explains that "[t]he subject matter of copyright ... includes compilations," § 103(a), but that copyright protects only the author's original contributions--not the facts or information conveyed:

"The copyright in a compilation ... extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material." § 103(b).

. . . [T]he facts contained in existing works may be freely copied because copyright protects only the elements that owe their origin to the compiler--the selection, coordination, and arrangement of facts. . . .

III

There is no doubt that Feist took from the white pages of Rural's directory a substantial amount of factual information. At a minimum, Feist copied the names, towns, and telephone numbers of 1,309 of Rural's subscribers. Not all copying, however, is copyright infringement. To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original. . . . The first element is not at issue here; Feist appears to concede that Rural's directory, considered as a whole, is subject to a valid copyright because it contains some foreword text, as well as original material in its yellow pages advertisements. . . .

The question is whether Rural has proved the second element. In other words, did Feist, by taking 1,309 names, towns, and telephone numbers from Rural's white pages, copy anything that was "original" to Rural? Certainly, the raw data does not satisfy the originality requirement. Rural may have been the first to discover and report the names, towns, and telephone numbers of its subscribers, but this data does not "'ow[e] its origin'" to Rural. *Burrow-Giles*, 111 U.S., at 58, 4 S.Ct., at 281. Rather, these bits of information are uncopyrightable facts; they existed before Rural reported them and would have continued to exist if Rural had never published a telephone directory. The originality requirement "rule[s] out protecting . . . names, addresses, and telephone numbers of which the plaintiff by no stretch of the imagination could be called the author." *Patterson & Joyce* 776.

Rural essentially concedes the point by referring to the names, towns, and telephone numbers as "preexisting material." Brief for Respondent 17. Section 103(b) states explicitly that the copyright in a compilation does not extend to "the preexisting material employed in the work."

The question that remains is whether Rural selected, coordinated, or arranged these uncopyrightable facts in an original way. As mentioned, originality is not a stringent standard; it does not require that facts be presented in an innovative or surprising way. It is equally true, however, that the selection and arrangement of facts cannot be so mechanical or routine as to require no creativity whatsoever. The standard of originality is low, but it does exist. . . .

The selection, coordination, and arrangement of Rural's white pages do not satisfy the minimum constitutional standards for copyright protection. As mentioned at the outset, Rural's white pages are entirely typical. Persons desiring telephone service in Rural's service area fill out an application and Rural issues them a telephone number. In preparing its white pages, Rural simply takes the data provided by its subscribers and lists it alphabetically by surname. The end product is a garden-variety white pages directory, devoid of even the slightest trace of creativity.

Rural's selection of listings could not be more obvious: It publishes the most basic information -- name, town, and telephone number--about each person who applies to it for telephone service. This is "selection" of a sort, but it lacks the modicum of creativity necessary to transform mere selection into copyrightable expression. Rural expended sufficient effort to make the white pages directory useful, but insufficient creativity to make it original. . . .

Nor can Rural claim originality in its coordination and arrangement of facts. The white pages do nothing more than list Rural's subscribers in alphabetical order. This arrangement may, technically speaking, owe its origin to Rural; no one disputes that Rural undertook the task of alphabetizing the names itself. But there is nothing remotely creative about arranging names alphabetically in a white pages directory. It is an age-old practice, firmly rooted in tradition and so commonplace that it has come to be expected as a matter of course. See Brief for Information Industry Association et al. as Amici Curiae 10 (alphabetical arrangement "is universally observed in directories published by local exchange telephone companies"). It is not only unoriginal, it is practically inevitable. This time-honored tradition does not possess the minimal creative spark required by the Copyright Act and the Constitution.

We conclude that the names, towns, and telephone numbers copied by Feist were not original to Rural and therefore were not protected by the copyright in Rural's combined white and yellow pages directory. As a constitutional matter, copyright protects only those constituent elements of a work that possess more than a *de minimis* quantum of creativity. Rural's white pages, limited to basic subscriber information and arranged alphabetically, fall short of the mark. As a statutory matter, 17 U.S.C. § 101 does not afford protection from copying to a collection of facts that are selected, coordinated, and arranged in a way that utterly lacks originality. Given that some works must fail, we cannot imagine a more likely candidate. Indeed, were we to hold that Rural's white pages pass muster, it is hard to believe that any collection of facts could fail.

Because Rural's white pages lack the requisite originality, Feist's use of the listings cannot constitute infringement. This decision should not be construed as demeaning Rural's efforts in compiling its directory, but rather as making clear that copyright rewards originality, not effort. . . .



D. Copyright Infringement and Digital File Sharing

The Ninth Circuit Court of Appeals decisions in the Napster cases, *A&M Records v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) and 284 F.ed 1091 (9th Cir. 2002), precipitated Napster's bankruptcy and eventual liquidation. (The new Napster service - www.napster.com - is a different organization.) Peer-to-peer sharing of digital copies of music and video productions has nevertheless continued. Recent decisions with regard to copyright infringement issues posed by digital file-sharing typically involve actions for contributory copyright infringement.

Contributory Copyright Infringement - The Sony Betamax Decision

The key precedent in all modern contributory copyright infringement cases is *Sony Corp. of America, Inc. v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984) a United States Supreme Court Decision that involved the introduction of the now-outmoded, but then revolutionary, Betamax video recorder. The Supreme Court made clear in its *Sony* decision that, because Sony's video recorder had substantial noninfringing uses, Sony would not be liable for contributory copyright infringement merely because some of the uses actually made of the recorder were infringing. Sony knew that its Betamax video recorder was used for three principal purposes (a fourth, playing home movies, involved no copying): The first, which the majority opinion emphasized, was "time shifting" - recording a television program that was being shown at a time inconvenient for the owner of the Betamax for later watching at a convenient time. The second was "library building" - making copies of programs to retain permanently. The third was skipping commercials by taping a program before watching it and then, while watching the tape, using the fast-forward button on the recorder to skip over the commercials. The first use the Court held was a fair use (and hence not infringing) because it increased the audience for the program. The copying involved in the second and third uses was clearly infringing to the extent that the programs copied were under copyright and the taping of them was not authorized by the copyright owners. In general, building a library of taped programs was infringing because it was the equivalent of borrowing a copyrighted book from a public library, making a copy of it for one's personal library, then returning the original to the public library. The third use, commercial-skipping, amounted to creating an unauthorized derivative work - a commercial-free copy that would reduce the copyright owner's income from his original copyrighted program, since "free" television programs are financed by the purchase of commercials by advertisers. In short, the video recorder was being used for a mixture of infringing and noninfringing uses. Sony could not demix them because once Sony sold the recorder it lost all control over its use. *Id.* at 438.

The court ruled in *Sony* that "the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, to avoid contributory infringement liability a product only needs to be capable of substantial noninfringing

uses. In order to resolve that substantial noninfringing uses issue, a court need not explore *all* the different potential uses of a product and determine whether or not those uses would constitute infringement. Rather, it is necessary only to consider whether a significant number of the uses of the product would be non-infringing. The Supreme Court concluded, “[I]n order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial timeshifting in the home.” *Id.* at 441.

The following two contributory copyright infringement decisions reach different conclusions with regard to whether particular file-sharing systems are or are not actionable as contributory copyright infringement. In reading these decisions, notice how difference between legality and illegality depends on differences in technology.

The first decision, decided June 30, 2003, is from the Seventh Circuit Court of Appeals. In it, Judge Posner (a well-known conservative jurist and one of the leaders of the “Law and Economics” movement) applies the Ninth Circuit’s *Napster* decisions and finds Aimster liable for contributory infringement.

IN RE: AIMSTER COPYRIGHT LITIGATION
APPEAL OF JOHN DEEP
334 F.3d 643 (7th Cir. 2003) *cert. denied*, 124 S.Ct. 1069 (2004)

Posner, Circuit J.

Owners of copyrighted popular music filed a number of closely related suits . . . against John Deep and corporations that are controlled by him. . . . The numerous plaintiffs, who among them appear to own most subsisting copyrights on American popular music, claim that [John] Deep's "Aimster" Internet service (recently renamed "Madster") is a contributory and vicarious infringer of these copyrights. . . . Aimster is one of a number of enterprises (the former Napster is the best known) that have been sued for facilitating the swapping of digital copies of popular music, most of it copyrighted, over the Internet. . . . To simplify exposition, we refer to the appellant as "Aimster" and to the appellees (the plaintiffs) as the recording industry.

Teenagers and young adults who have access to the Internet like to swap computer files containing popular music. If the music is copyrighted, such swapping, which involves making and transmitting a digital copy of the music, infringes copyright. The swappers, who are ignorant or more commonly disdainful of copyright and in any event discount the likelihood of being sued or prosecuted for copyright infringement, are the direct infringers. But firms that facilitate their infringement, even if they are not themselves infringers because they are not making copies of the music that is shared, may be liable to the copyright owners as contributory infringers. Recognizing the impracticability or futility of a copyright owner's suing a multitude of individual infringers . . . , the law allows a copyright holder to sue a contributor to the infringement instead, in effect as an aider and abettor. . . .

The Aimster system has the following essential components: proprietary software that can be downloaded free of charge from Aimster's Web site; Aimster's server (a server is a

computer that provides services to other computers, in this case personal computers owned or accessed by Aimster's users, over a network), which hosts the Web site and collects and organizes information obtained from the users but does not make copies of the swapped files themselves and that also provides the matching service described below; computerized tutorials instructing users of the software on how to use it for swapping computer files; and "Club Aimster," a related Internet service owned by Deep that users of Aimster's software can join for a fee and use to download the "top 40" popular-music files more easily than by using the basic, free service. The "AIM" in "Aimster" stands for AOL instant-messaging service. Aimster is available only to users of such services (of which AOL's is the most popular) because Aimster users can swap files only when both are online and connected in a chat room enabled by an instant-messaging service.

Someone who wants to use Aimster's basic service for the first time to swap files downloads the software from Aimster's Web site and then registers on the system by entering a user name (it doesn't have to be his real name) and a password at the Web site. Having done so, he can designate any other registrant as a "buddy" and can communicate directly with all his buddies when he and they are online, attaching to his communications (which are really just emails) any files that he wants to share with the buddies. All communications back and forth are encrypted by the sender by means of encryption software furnished by Aimster as part of the software package downloadable at no charge from the Web site, and are decrypted by the recipient using the same Aimster-furnished software package. If the user does not designate a buddy or buddies, then *all* the users of the Aimster system become his buddies; that is, he can send or receive from any of them.

Users list on their computers the computer files they are willing to share. (They needn't list them separately, but can merely designate a folder in their computer that contains the files they are willing to share.) A user who wants to make a copy of a file goes online and types the name of the file he wants in his "Search For" field. Aimster's server searches the computers of those users of its software who are online and so are available to be searched for files they are willing to share, and if it finds the file that has been requested it instructs the computer in which it is housed to transmit the file to the recipient via the Internet for him to download into his computer. Once he has done this he can if he wants make the file available for sharing with other users of the Aimster system by listing it as explained above. In principle, therefore, the purchase of a single CD could be levered into the distribution within days or even hours of millions of identical, near-perfect (depending on the compression format used) copies of the music recorded on the CD--hence the recording industry's anxiety about file-sharing services oriented toward consumers of popular music. But because copies of the songs reside on the computers of the users and not on Aimster's own server, Aimster is not a direct infringer of the copyrights on those songs. Its functions similar to that of a stock exchange, which is a facility for matching offers rather than a repository of the things being exchanged (shares of stock). But unlike transactions on a stock exchange, the consummated "transaction" in music files does not take place in the facility, that is, in Aimster's server.

What we have described so far is a type of Internet file-sharing system that might be created for innocuous purposes such as the expeditious exchange of confidential business data among employees of a business firm. . . . The fact that copyrighted materials might sometimes be shared between users of such a system without the authorization of the copyright owner or a fair use privilege would not make the firm a contributory infringer. Otherwise AOL's instant-messaging system, which Aimster piggybacks on, might be deemed a contributory infringer. For there is no doubt that some of the attachments that AOL's multitudinous subscribers transfer are

copyrighted, and such distribution is an infringement unless authorized by the owner of the copyright. . . .

. . . The industry points out that the provider of a service, unlike the seller of a product, has a continuing relation with its customers and therefore should be able to prevent, or at least limit, their infringing copyright by monitoring their use of the service and terminating them when it is discovered that they are infringing. . . . [W]e agree with the recording industry that the ability of a service provider to prevent its customers from infringing is a factor to be considered in determining whether the provider is a contributory infringer. Congress so recognized in the Digital Millennium Copyright Act, which we discuss later in this opinion.

It is not necessarily a controlling factor, however, as the recording industry believes. If a service facilitates both infringing and noninfringing uses, as in the case of AOL's instant-messaging service, and the detection and prevention of the infringing uses would be highly burdensome, the rule for which the recording industry is contending could result in the shutting down of the service or its annexation by the copyright owners (contrary to the clear import of the *Sony* decision), because the provider might find it impossible to estimate its potential damages liability to the copyright holders and would anyway face the risk of being enjoined. The fact that the recording industry's argument if accepted might endanger AOL's instant-messaging service (though the service might find shelter under the Digital Millennium Copyright Act--a question complicated, however, by AOL's intention, of which more later, of offering an encryption option to the visitors to its chat rooms) is not only alarming; it is paradoxical, since subsidiaries of AOL's parent company (AOL Time Warner), such as Warner Brothers Records and Atlantic Recording Corporation, are among the plaintiffs in this case and music chat rooms are among the facilities offered by AOL's instant-messaging service. . . .

[W]e reject Aimster's argument that to prevail the recording industry must prove it has actually lost money as a result of the copying that its service facilitates. . . . [A] copyright owner who can prove infringement need not show that the infringement caused him a financial loss. Granted, without such a showing he cannot obtain compensatory damages; but he can obtain statutory damages, or an injunction, just as the owner of physical property can obtain an injunction against a trespasser without proving that the trespass has caused him a financial loss.

What is true is that when a supplier is offering a product or service that has noninfringing as well as infringing uses, some estimate of the respective magnitudes of these uses is necessary for a finding of contributory infringement. . . .

We also reject Aimster's argument that . . . the encryption feature of Aimster's service prevented Deep from knowing what songs were being copied by the users of his system, [so that] he lacked the knowledge of infringing uses that liability for contributory infringement requires. Willful blindness is knowledge, in copyright law (where indeed it may be enough that the defendant *should* have known of the direct infringement. . . . Deep . . . [cannot use] encryption software to prevent himself from learning what surely he strongly suspects to be the case: that the users of his service--maybe *all* the users of his service--are copyright infringers.

This is not to say that the provider of an encrypted instant-messaging service or encryption software is ipso facto a contributory infringer should his buyers use the service to infringe copyright, merely because encryption, like secrecy generally, facilitates unlawful transactions. ("Encryption" comes from the Greek word for concealment.) Encryption fosters privacy, and privacy is a social benefit though also a source of social costs. "AOL has begun testing an encrypted version of AIM [AOL Instant Messaging]. Encryption is considered critical for widespread adoption of IM in some industries and federal agencies." Vise, *supra*. Our point is only that a service provider that would otherwise be a contributory infringer does not obtain

immunity by using encryption to shield itself from actual knowledge of the unlawful purposes for which the service is being used.

We also do not buy Aimster's argument that . . . all Aimster has to show in order to escape liability for contributory infringement is that its file-sharing system *could* be used in noninfringing ways, which obviously it could be. Were that the law, the seller of a product or service used *solely* to facilitate copyright infringement, though it was capable in principle of noninfringing uses, would be immune from liability for contributory infringement. . . .

There are analogies in the law of aiding and abetting, the criminal counterpart to contributory infringement. A retailer of slinky dresses is not guilty of aiding and abetting prostitution even if he knows that some of his customers are prostitutes--he may even know which ones are. . . . The extent to which his activities and those of similar sellers actually promote prostitution is likely to be slight relative to the social costs of imposing a risk of prosecution on him. But the *ner* of a massage parlor who employs women who are capable of giving massages, but in fact as he knows sell only sex and never massages to their customers, is an aider and abettor of prostitution (as well as being guilty of pimping or operating a brothel). . . . The slinky-dress case corresponds to *Sony*, and, like *Sony*, is not inconsistent with imposing liability on the seller of a product or service that, as in the massage-parlor case, is capable of noninfringing uses but in fact is used only to infringe. To the recording industry, a single known infringing use brands the facilitator as a contributory infringer. To the Aimsters of this world, a single noninfringing use provides complete immunity from liability. Neither is correct.

To situate Aimster's service between these unacceptable poles, we need to say just a bit more about it. In explaining how to use the Aimster software, the tutorial gives as its *only* examples of file sharing the sharing of copyrighted music, including copyrighted music that the recording industry had notified Aimster was being infringed by Aimster's users. The tutorial is the invitation to infringement that the Supreme Court found was missing in *Sony*. In addition, membership in Club Aimster enables the member for a fee of \$4.95 a month to download with a single click the music most often shared by Aimster users, which turns out to be music copyrighted by the plaintiffs. Because Aimster's software is made available free of charge and Aimster does not sell paid advertising on its Web site, Club Aimster's monthly fee is the only means by which Aimster is financed and so the club cannot be separated from the provision of the free software. When a member of the club clicks on "play" next to the name of a song on the club's Web site, Aimster's server searches through the computers of the Aimster users who are online until it finds one who has listed the song as available for sharing, and it then effects the transmission of the file to the computer of the club member who selected it. Club Aimster lists only the 40 songs that are currently most popular among its members; invariably these are under copyright.

The evidence that we have summarized does not exclude the *possibility* of substantial noninfringing uses of the Aimster system, but the evidence is sufficient, especially in a preliminary-injunction proceeding, which is summary in character, to shift the burden of production to Aimster to demonstrate that its service has substantial noninfringing uses. . . . As it might: [The Court lists some of the potential noninfringing uses of Aimster.]

1. Not all popular music is copyrighted. Apart from music on which the copyright has expired (not much of which, howevest to the teenagers and young adults interested in swapping music), start-up bands and performers may waive copyright in the hope that it will encourage the playing of their music and create a following that they can convert to customers of their subsequent works.

2. A music file-swapping service might increase the value of a recording by enabling it to be used as currency in the music-sharing community, since someone who only downloads and never uploads, thus acting as a pure free rider, will not be very popular.

3. Users of Aimster's software might form select (as distinct from all-comers) "buddy" groups to exchange noncopyrighted information about popular music, or for that matter to exchange ideas and opinions about wholly unrelated matters as the buddies became friendlier. Some of the chat-room messages that accompany the listing of music files offered or requested contain information or opinions concerning the music; to that extent, though unremarked by the parties, some noninfringing use is made of Aimster's service, though it is incidental to the infringement.

4. Aimster's users might appreciate the encryption feature because as their friendship deepened they might decide that they wanted to exchange off-color, but not copyrighted, photographs, or dirty jokes, or other forms of expression that people like to keep private, rather than just copyrighted music.

5. Someone might own a popular-music CD that he was particularly fond of, but he had not downloaded it into his computer and now he finds himself out of town but with his laptop and he wants to listen to the CD, so he uses Aimster's service to download a copy. This might be a fair use rather than a copyright infringement, by analogy to the time shifting approved as fair use in the *Sony* case. . . . The analogy was sidestepped in *A & M Records, Inc. v. Napster, Inc., supra*, 239 F.3d at 1019, because Napster's system did not limit downloading to music on CDs owned by the downloader. The analogy was rejected in *UMG Recordings v. MP3.com, Inc.*, 92 F.Supp.2d 349 (S.D.N.Y.2000), on the ground that the copy on the defendant's server was an unauthorized derivative work; a solider ground, in light of *Sony*'s rejection of the parallel argument with respect to time shifting, would have been that the defendant's method for requiring that its customers "prove" that they owned the CDs containing the music they wanted to download was too lax.

All five of our examples of actually or arguably noninfringing uses of Aimster's service are possibilities, but as should be evident from our earlier discussion the question is how probable they are. It is not enough, as we have said, that a product or service be physically capable, as it were, of a noninfringing use. Aimster has failed to produce any evidence that its service has ever been used for a noninfringing use, let alone evidence concerning the frequency of such uses. In the words of the district judge, "defendants here have provided no evidence whatsoever (besides the unsupported declaration of Deep) that Aimster is *actually* used for any of the stated non-infringing purposes. Absent is any indication from real-life Aimster users that their primary use of the system is to transfer non-copyrighted files to their friends or identify users of similar interests and share information. Absent is any indication that even a single business without a network administrator uses Aimster to exchange business records as Deep suggests." . . . Because Aimster failed to show that its service is ever used for any purpose other than to infringe the plaintiffs' copyrights, the question . . . of the net effect of Napsterlike

services on the music industry's income is irrelevant to this case. If the *only* effect of a service challenged as contributory infringement is to enable copyrights to be infringed, the magnitude of the resulting loss, even whether there is a net loss, becomes irrelevant to liability.

Even when there are noninfringing uses of an Internet file-sharing service, moreover, if the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses. Aimster failed to make that showing too, by failing to present evidence that the provision of an encryption capability *effective against the service provider itself* added important value to the service or saved significant cost. Aimster blinded itself in the hope that by doing so it might come within the rule of the *Sony* decision. . . . [Aimster's] ostrich-like refusal to discover the extent to which its system was being used to infringe copyright is merely another piece of evidence that it was a contributory infringer.

We turn now to Aimster's defenses under the Online Copyright Infringement Liability Limitation Act, Title II of the Digital Millennium Copyright Act (DMCA), 17 U.S.C. § 512; . . . The DMCA is an attempt to deal with special problems created by the so-called digital revolution. One of these is the vulnerability of Internet service providers such as AOL to liability for copyright infringement as a result of file swapping among their subscribers. Although the Act was not passed with Napster-type services in mind, the definition of Internet service provider is broad ("a provider of online services or network access, or the operator of facilities therefor," 17 U.S.C. § 512(k)(1)(B)), and, as the district judge ruled, Aimster fits it. . . . The Act provides a series of safe harbors for Internet service providers and related entities, but none in which Aimster can moor. The Act does not abolish contributory infringement. The common element of its safe harbors is that the service provider must do what it can reasonably be asked to do to prevent the use of its service by "repeat infringers." 17 U.S.C. § 512(i)(1)(A). Far from doing anything to discourage repeat infringers of the plaintiffs' copyrights, Aimster invited them to do so, showed them how they could do so with ease using its system, and by teaching its users how to encrypt their unlawful distribution of copyrighted materials disabled itself from doing anything to prevent infringement. . . .

We are not impressed by Aimster's argument that the district court had an independent duty, rooted in the free-speech clause of the First Amendment, to make sure that the impact of the injunction on communications over the Internet is no greater than is absolutely necessary to provide the reindustry with the legal protection to which it is entitled while the case wends its way to a conclusion. Copyright law and the principles of equitable relief are quite complicated enough without the superimposition of First Amendment case law on them; and we have been told recently by the Supreme Court not only that "copyright law contains built-in First Amendment accommodations" but also that, in any event, the First Amendment "bears less heavily when speakers assert the right to make other people's speeches." *Eldred v. Ashcroft*, 537 U.S. 186, 123 S.Ct. 769, 788-89, 154 L.Ed.2d 683 (2003). Or, we add, to copy, or enable the copying of, other people's music.

In January 2004, the Court of Appeals for the Seventh Circuit rejected John Deep's appeal from a fine of \$5,000 plus more than \$100,000 in attorneys' fees. The Court of Appeals noted, "Deep is appearing pro se and most of the points made in his brief are not remotely germane to the appeal, as they amount to an attempt to reargue the merits of the injunction. The injunction required him either to block infringing uses of his service or to shut the service down. He did neither. He admitted in the district court that, since he was

unable (he claimed) to block infringing uses, he had to shut his service down. He did not do so. The excuses he offers for his contumacy are unpersuasive, indeed frivolous. As the plaintiffs point out, he has engaged in vexatious litigation in several courts in an effort to avoid complying with the injunction, as well as skipping hearings in the district court and engaging in a variety of stall tactics."

Meanwhile, a United States District Court in California reached an opposite conclusion with regard to other types of file-sharing technologies, including Gnutella, Kazaa and Morpheus. This decision, which discusses both contributory copyright infringement and vicarious copyright infringement is currently on appeal to the Ninth Circuit Court of Appeals.

METRO-GOLDWYN-MAYER STUDIOS, INC., ET AL. V. GROKSTER, LTD., ET AL.,
259 F.Supp.2d 1029 (C.D. Cal. 2003) (decided April 25, 2003)

Wilson, District Judge.

General Background

These cases arise from the free exchange of copyrighted music, movies and other digital media over the Internet. When the actions were originally filed, Defendants Grokster, Ltd. ("Grokster"), StreamCast Networks, Inc. (formerly known as MusicCity Networks, Inc.) ("StreamCast"), and Kazaa BV (formerly known as Consumer Empowerment BV) ("Kazaa BV"), distributed software that enabled users to exchange digital media via a peer-to-peer transfer network. In the *Metro-Goldwyn-Mayer v. Grokster* case, CV-01-8541, Plaintiffs are organizations in the motion picture and music recording industries, and bring this action against Defendants for copyright infringement, pursuant to 17 U.S.C. §§ 501, et seq. In the *Lieber v. Consumer Empowerment* case, CV-01-9923, Plaintiffs are professional songwriters and music publishers bringing a class action against the same Defendants for copyright infringement, although their Complaint lists separate causes of action for contributory infringement and vicarious infringement. The cases have been consolidated for discovery and pretrial purposes.

Each Defendant distributes free software, which users can download free of charge. Although Grokster, StreamCast and Kazaa BV independently branded, marketed and distributed their respective software, all three platforms initially were powered by the same FastTrack networking technology. The FastTrack technology was developed by Defendants Niklas Zennstrom and Janus Friis, who also launched Kazaa BV. FastTrack was then licensed to Kazaa BV, Grokster and StreamCast for use in each company's file-sharing software. As a result, users of these software platforms essentially were connected to the same peer-to-peer network and were able to exchange files seamlessly.

However, StreamCast no longer uses the FastTrack technology. Rather, StreamCast now employs the "open" (i.e., not proprietary) Gnutella technology, and distributes its own software--Morpheus--instead of a branded version of the Kazaa Media Desktop. Grokster, meanwhile, continues to distribute a branded version of the Kazaa Media Desktop, which operates on the same FastTrack technology as the Sharman/Kazaa software.

Operation of the StreamCast (Morpheus) and Grokster Software

Although novel in important respects, both the Grokster and Morpheus platforms operate in a manner conceptually analogous to the Napster system described at length by the district court in *A & M Records, Inc. v. Napster, Inc.*, 114 F.Supp.2d 896 (N.D.Cal.2000).

In both cases, the software can be transferred to the user's computer, or "downloaded," from servers operated by Defendants. Once installed, a user may elect to "share" certain files located on the user's computer, including, for instance, music files, video files, software applications, e-books and text files. When launched on the user's computer, the software automatically connects to a peer-to-peer network (FastTrack in Grokster's case; Gnutella in the case of Morpheus), and makes any shared files available for transfer to any other user currently connected to the same peer-to-peer network.

Both the Morpheus and Grokster software provide a range of means through which a user may search through the respective pool of shared files. For instance, a user can select to search only among audio files, and then enter a keyword, title, or artist search. Once a search commences, the software displays a list (or partial list) of users who are currently sharing files that match the search criteria, including data such as the estimated time required to transfer each file.

The user may then click on a specific listing to initiate a direct transfer from the source computer to the requesting user's computer. When the transfer is complete, the requesting user and source user have identical copies of the file, and the requesting user may also start sharing the file with others. Multiple transfers to other users ("uploads"), or from other users ("downloads"), may occur simultaneously to and from a single user's computer.

Both platforms include other incidental features, such as facilities for organizing and playing media files, and for communicating with other users.

Limitations of this Order

Because Plaintiffs principally seek prospective injunctive relief, the Court at this time considers only whether the *current versions* of Grokster's and StreamCast's products and services subject either party to liability. This Order does not reach the question whether either Defendant is liable for damages arising from *past* versions of their software, or from other past activities.

Additionally, it is important to reiterate that the instant motions concern *only* the software operated by Defendants StreamCast (the Morpheus software) and Grokster (the Grokster software). Defendant Sharman Networks, proprietor of the Kazaa.com website and Kazaa Media Desktop, is *not* a party to these Motions. Accordingly, the Court offers no opinion in this Order as to Sharman's potential liability. . . .

Plaintiffs argue that Defendants are liable for both contributory and vicarious copyright infringement. As a threshold matter, in order to find either contributory or vicarious infringement liability, Plaintiffs must demonstrate that Defendants' end-users are themselves engaged in direct copyright infringement. *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 n. 2 (9th Cir.2001) ("Napster") (citation omitted) ("Secondary liability for copyright infringement does not exist in the absence of direct infringement by a third party.").

Direct Infringement

To establish a *prima facie* case of copyright infringement, Plaintiffs must show: (1) copyright ownership of the allegedly infringing material, and (2) unauthorized copying of the work that is the original. *Id.* at 1013 (citations omitted). With regard to the second prong, "[Plaintiffs] must demonstrate that the alleged infringers violate at least one exclusive right granted to copyright holders under 17 U.S.C. § 106." *Id.*

. . . [I]t is undisputed that at least some of the individuals who use Defendants' software are engaged in direct copyright infringement of Plaintiffs' copyrighted works. In *Napster*, the Ninth Circuit explained: "[T]he evidence establishes that a majority of Napster users use the service to download and upload copyrighted music.... And by doing that, it constitutes-- the uses constitute direct infringement of plaintiffs' musical compositions, recordings." *Napster*, 239 F.3d at 1013-14 (quoting transcript from district court proceedings) (internal quotation marks omitted).

Just as in *Napster*, many of those who use Defendants' software do so to download copyrighted media files, including those owned by Plaintiffs, (*see, e.g.*, Pls.' Statement of Uncontroverted Facts ("Pls.' SUF") 3(j), 3(t); Griffin Depo. 278:5-10 and Ex. 291), and thereby infringe Plaintiffs' rights of reproduction and distribution. *See Napster*, 239 F.3d at 1014 (citations omitted). Thus, for purposes of these motions, Plaintiffs have established direct infringement of their copyrighted works by some end-users of Defendants' software.

Contributory Infringement

Under the doctrine of contributory copyright infringement, one is liable for contributory infringement if "with knowledge of the infringing activity, [he/she] induces, causes or materially contributes to the infringing conduct of another[.]" *Napster*, 239 F.3d at 1019 (citations and internal quotation marks omitted).

There are two factors that come into play in determining liability for contributory infringement: (1) knowledge, and (2) material contribution. The secondary infringer must "know, or have reason to know of [the] direct infringement." *Adobe Systems Inc. v. Canus Prods., Inc.*, 173 F.Supp.2d 1044, 1048 (C.D.Cal.2001) (citations and internal quotation marks omitted). Furthermore, with regard to the second element, "liability [for contributory infringement] exists if the defendant engages in personal conduct that encourages or assists the infringement." *Napster*, 239 F.3d at 1019 (citation and internal quotation marks omitted).

1. Knowledge of Infringing Activity

In order to be held liable for contributory infringement, the secondary infringer must know or have reason to know of the direct infringement. *See Napster*, 239 F.3d at 1020. Evidence of actual knowledge of *specific acts* of infringement is required for contributory infringement liability. *Id.* at 1021.

In *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984), sale of video cassette recorders ("VCR"s) did not subject Sony to contributory copyright liability, even though Sony knew as a general matter that the machines could be used, and were being used, to infringe the plaintiffs' copyrighted works. Because video tape recorders were capable of both infringing and "substantial noninfringing uses," generic or "constructive" knowledge of infringing activity was insufficient to warrant liability based on the mere retail of Sony's products. *See id.* at 442, 104 S.Ct. 774. "[T]he sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement" if the product is "capable of substantial noninfringing uses." *Id.*

Here, it is undisputed that there are substantial noninfringing uses for Defendants' software--e.g., distributing movie trailers, free songs or other non-copyrighted works; using the software in countries where it is legal; or sharing the works of Shakespeare. . . . For instance, StreamCast has adduced evidence that the Morpheus program is regularly used to facilitate and search for public domain materials, government documents, media content for which distribution is authorized, media content as to which the rights owners do not object to distribution, and

computer software for which distribution is permitted. . . . The same is true of Grokster's software. (*See, e.g.,* . . . Grokster's partnership with GigAmerica, a company which claimed to host music from 6,000 independent bands and musicians as of May 2002).)

Furthermore, as the Supreme Court has explained, the existence of substantial noninfringing uses turns not only on a product's *current* uses, but also on potential *future* noninfringing uses. *See Sony*, 464 U.S. at 442, 104 S.Ct. 774; *see also Napster*, 239 F.3d at 1020-21. Plaintiffs do not dispute that Defendants' software is being used, and could be used, for substantial noninfringing purposes.

In light of *Sony*, the Ninth Circuit in *Napster* refused to "impute the requisite level of knowledge to Napster merely because peer-to-peer file- sharing technology may be used to infringe plaintiffs' copyrights." 239 F.3d at 1020-21. Just as Sony could not be held liable for contributory infringement simply because it sold video tape recorders that could be used unlawfully, Napster would not be liable simply because it distributed software that could be used to infringe copyrights. "[A]bsent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material." *Napster*, 239 F.3d at 1021 (citing *Sony*, 464 U.S. at 436, 442-43, 104 S.Ct. 774).

Rather, liability for contributory infringement accrues where a defendant has actual--not merely constructive--knowledge of the infringement at a time during which the defendant materially contributes to that infringement. *See Napster*, 239 F.3d at 1020-22.

In other words, as the Ninth Circuit explained, defendants are liable for contributory infringement only if they (1) have specific knowledge of infringement at a time at which they contribute to the infringement, and (2) fail to act upon that information. *See Napster*, 239 F.3d at 1021 (citation omitted) ("We agree that if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.").

With respect to Napster's "actual knowledge" of infringement, the court cited: (1) a document authored by one of Napster's founders mentioning "the need to remain ignorant of users' real names and IP addresses 'since they are exchanging pirated music'"; and (2) the fact that the Recording Industry Association of America notified Napster of more than 12,000 infringing files on its system, some of which were still available. *Id.* at 1020, n. 5 (citation and internal quotation marks omitted).

In this case, Plaintiffs point to a massive volume of similar evidence, including documents suggesting that both Defendants marketed themselves as "the next Napster," that various searches were performed by Defendants' executives for copyrighted song titles or artists, that various internal documents reveal Defendants were aware that their users were infringing copyrights, and that Plaintiffs sent Defendants thousands of notices regarding alleged infringement. . . . In other words, Defendants clearly know that many if not most of those individuals who download their software subsequently use it to infringe copyrights. . . .

[I]t is undisputed that Defendants are generally aware that many of their users employ Defendants' software to infringe copyrighted works. (*See, e.g.*, Grokster's Mot. at 15 ("[Grokster] is of course aware as a general matter that some of its users are infringing copyrights.").) The question, however, is whether *actual knowledge of specific infringement* accrues at a time when either Defendant materially contributes to the alleged infringement, and can therefore do something about it.

2. Material Contribution to the Infringing Activity of Another

As noted *supra*, "liability [for contributory infringement] exists if the defendant engages in personal conduct that encourages or assists the infringement." *Napster*, 239 F.3d at 1019 (citation and internal quotation marks omitted). To be liable for contributory infringement, Defendants must "materially contribute[]" to the infringing activity. *Id.* (citations and internal quotation marks omitted). . . .

In concluding that Napster materially contributed to the infringement, the Ninth Circuit relied on the district court's finding that "without the support services defendant provides, Napster users could not find and download the music they want with the ease of which defendant boasts." *Napster*, 239 F.3d at 1022 (quoting *A & M Records, Inc. v. Napster*, 114 F.Supp.2d at 919-20) (internal quotation marks omitted).

The district court explained that "Napster is an integrated service designed to enable users to locate and download MP3 music files." *A & M Records v. Napster*, 114 F.Supp.2d at 920. Furthermore, the Ninth Circuit agreed with the district court that because Napster provided the "site and facilities" for direct infringement, Napster materially contributed to the infringement. *Napster*, 239 F.3d at 1022. . . .

[T]he defendant did not have to directly promote the infringing products to be held liable--it was enough that the defendant provided "the site and facilities for known infringing activity []." *Id.* While the defendant attempted to persuade the court that it provided rental space alone, the court explained that the defendant swap meet operator "actively str[ove] to provide the environment and the market for counterfeit sales to thrive. Its participation in the sales cannot be termed 'passive,' as [the defendant] would prefer." *Id.* . . .

Napster, Inc. supplies the proprietary software, search engine, servers, and means of establishing a connection between users' computers." *A & M Records v. Napster*, 114 F.Supp.2d at 920; *see also Napster*, 239 F.3d at 1022 ("The district court correctly applied the reasoning from *Fonovisa*, and properly found that Napster materially contributes to direct infringement.").

Furthermore, in addition to the software, Napster provided a network--the "site and facilities" for the infringement to take place. Napster hosted a central list of the files available on each user's computer, and thus served as the axis of the file-sharing network's wheel. When Napster closed down, the Napster file-sharing network disappeared with it.

Thus, here, the critical question is whether Grokster and StreamCast do anything, aside from distributing software, to actively facilitate--or whether they could do anything to stop--their users' infringing activity.

Plaintiffs argue that Defendants, like Napster, do much to facilitate the actual exchange of copyrighted files, and thus materially contribute to the infringement. In their original Motion, Plaintiffs--who lumped together the activities of Grokster and StreamCast with those of Kazaa BV--asserted that these Defendants provide the "means, environment, and support ... that enable users to ... locate, distribute and copy" copyrighted works. . . .

[T]he facts are somewhat distinct--though materially undisputed--with respect to each Defendant.

a. Grokster

Grokster currently distributes a branded version of the Kazaa Media Desktop, originally licensed by Consumer Empowerment BV (and now controlled by Sharman). . . . Grokster does not have access to the source code for the application, and cannot alter it in any way. . . . Grokster's primary ability to affect its users' experience derives from its ability to configure a "start page" and provide advertising automatically retrieved by the Grokster client software. . . .

Grokster does not operate a centralized file-sharing network like that seen in *Napster*. Rather, the Grokster-licensed Kazaa Media Desktop software employs FastTrack networking technology, which is licensed by Sharman and is not owned by Grokster.

One of the central features distinguishing FastTrack-based software from other peer-to-peer technology is the dynamic, or variable use of "supernodes." A "node" is an end-point on the Internet, typically a user's computer. A "supernode" is a node that has a heightened function, accumulating information from numerous other nodes. . . . An individual node using FastTrack-based software automatically self-selects its own supernode status; a user's node may be a supernode one day and not on the following day, depending on resource needs and availability of the network.¹

This creates a two-tiered organizational structure, with groups of nodes clustered around a single supernode. When a user starts his/her software, the user's computer finds a supernode and accesses the network. The process of locating a supernode has varied over time. The undisputed evidence is that the Grokster software is preset with a list of "root supernodes," each of which functions principally to connect users to the network by directing them to active supernodes. While Grokster may briefly have had some control over a root supernode, Plaintiffs do not dispute that Grokster no longer operates such a supernode. Thus, the technical process of locating and connecting to a supernode--and the FastTrack network--currently occurs essentially independently of Defendant Grokster.

Once a user is connected to the network, his/her search queries and results are relayed among supernodes, maximizing the breadth of the search pool and minimizing redundancy in search traffic. This also reflects a critical distinction from Napster. Napster utilized, in effect, a single "supernode" owned and operated by Napster. The company's central servers indexed files from, and passed search queries and results among, all Napster users. All Napster search traffic went through, and relied upon, Napster.

When users search for and initiate transfers of files using the Grokster client, they do so without any information being transmitted to or through any computers owned or controlled by Grokster. (*Id.* at ¶ 6.)

b. StreamCast

Certain versions of StreamCast's Morpheus product prior to March 2002 were, like Grokster today, based on the FastTrack technology. However, the current iteration of StreamCast's Morpheus is distinct in important respects from Grokster's software. First, Morpheus is now a proprietary program owned and controlled exclusively by StreamCast. In other words, StreamCast, unlike Grokster, has access to the source code for its software, and can modify the software at will. Second, Morpheus is based on the open-source Gnutella peer-to-peer platform and does not employ a proprietary protocol such as FastTrack.

Gnutella is a "true" peer-to-peer network, featuring even more decentralization than FastTrack. A user connects to the Gnutella network (comprised of all users of Gnutella-based software, including not only Morpheus but that distributed by companies such as "LimeWire," "BearShare," "Gnucleus" and others) by contacting another user who is already connected. This initial connection is usually performed automatically after the user's computer contacts one of many publicly available directories of those currently connected to the Gnutella network. . . .

¹ It is unclear whether or to what extent entities other than Grokster can control this process or other aspects of the FastTrack network, but there is no evidence--and Plaintiffs do not argue--that Defendants have any such role.

Plaintiffs do not dispute that StreamCast does not itself operate any of these directories or compensate those who do for their use by Morpheus users. . . .

Instead of using supernodes, search requests on the Gnutella network are passed from user to user until a match is found or the search request expires. . . . When a user selects a file, the transfer is initiated directly between the two users. . . .

c. Analysis

Plaintiffs appear reluctant to acknowledge a seminal distinction between Grokster/StreamCast and Napster: neither Grokster nor StreamCast provides the "site and facilities" for direct infringement. *Napster*, 239 F.3d at 1022. Neither StreamCast nor Grokster facilitates the exchange of files between users in the way Napster did. Users connect to the respective networks, select which files to share, send and receive searches, and download files, all with no material involvement of Defendants. If either Defendant closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption. . . .

In contrast, Napster indexed the files contained on each user's computer, and each and every search request passed through Napster's servers. *Napster*, 239 F.3d at 1012. Napster provided the "site and facilities" for the alleged infringement, *id.* at 1022, affording it perfect knowledge and complete control over the infringing activity of its users. If Napster deactivated its computers, users would no longer be able to share files through the Napster network.

The evidence of contributory infringement cited by Plaintiffs with respect to these Defendants is not material. For instance, in their Statement of Uncontroverted Facts, Plaintiffs propose the following fact: "Defendants' systems enable, and provide an infrastructure for, users to search for, reproduce and distribute copyrighted sound recordings, motion pictures and other types of works without the authorization of the copyright owner." . . . If established by the record, the fact that Defendants provide an "infrastructure" for file-sharing would be of obvious significance in light of the *Napster* cases.

Plaintiffs, however, present no admissible evidence to create a genuine dispute regarding this fact. Rather, characteristic of the evidence cited are (1) a handful of isolated technical support e-mails from Grokster and StreamCast employees sent in response to users who encountered difficulties playing copyrighted media files;² and (2) evidence of previously unmoderated discussion forums in which some Grokster users searched for, and discussed the propriety of exchanging, copyrighted files. . . .

The only "technical assistance" that would bear on this analysis would be that which suggests Defendants somehow facilitate or contribute to the actual exchange of files. Plaintiffs cite no such evidence. Indeed, Plaintiffs cite two e-mails to Defendant Grokster in which users complained that copyrighted files they had attempted to download contained computer viruses. . . . In both cases, Grokster responded with a "stock" statement explaining that Grokster has no "control over who uses the system or what is shared through it," and could not block the files. (*Id.*) This, despite the fact that the files at issue were viruses that presumably could have posed a risk to Grokster's users.

Additionally, Plaintiffs allege that Defendants communicate with users (both directly and through information displayed on a web "start page"), and can prompt users to initiate

²None of the e-mails appear to reference any of the copyrighted works to which Plaintiffs have attempted to limit this Motion.

modifications or upgrades to the client software. . . . Even if this is true,³ [FN10] it is irrelevant. Whether Defendants can communicate with the users of their software and provide updates says nothing about whether Defendants facilitate or enable the exchange of copyrighted files at issue in these cases. . . .

Defendants distribute and support software, the users of which can and do choose to employ it for both lawful and unlawful ends. Grokster and StreamCast are not significantly different from companies that sell home video recorders or copy machines, both of which can be and are used to infringe copyrights. While Defendants, like Sony or Xerox, may know that their products will be used illegally by some (or even many) users, and may provide support services and refinements that indirectly support such use, liability for contributory infringement does not lie "merely because peer-to-peer file-sharing technology may be used to infringe plaintiffs' copyrights." *Napster*, 239 F.3d at 1020-21 (citation omitted). Absent evidence of active and substantial contribution to the infringement itself, Defendants cannot be liable. . . .

Vicarious Infringement

The doctrine of vicarious infringement, an expansion of traditional respondeat superior, extends liability for copyright infringement to "cases in which a defendant has a right and ability to supervise the infringing activity and also has a direct financial interest in such activities.' " *Napster*, 239 F.3d at 1022 (quoting *Fonovisa*, 76 F.3d at 262 (citation omitted)).

There are two elements required for vicarious infringement: (1) financial benefit, and (2) the defendant's right and ability to supervise the infringing conduct. As opposed to contributory infringement, one can be liable for vicarious infringement without knowledge of the infringement. *Adobe Systems*, 173 F.Supp.2d at 1049 (citation omitted) ("Lack of knowledge of the infringement is irrelevant.").

1. Financial Benefit

To be liable for vicarious infringement, a defendant must have a "direct financial interest in the infringing activity." *Napster*, 239 F.3d at 1023 (citing *A & M Records, Inc. v. Napster, Inc.*, 114 F.Supp.2d 896, 921-22). The Ninth Circuit held in *Fonovisa* that financial benefit may be shown "where infringing performances enhance the attractiveness of the venue to potential customers." 76 F.3d at 263. Further, "[f]inancial benefit exists where the availability of infringing material 'acts as a "draw" for customers.' " *Napster*, 239 F.3d at 1023. . . .

Here, it is clear that Defendants derive a financial benefit from the infringing conduct. The ability to trade copyrighted songs and other copyrighted works certainly is a "draw" for many users of Defendants' software. As a result, Defendants have a user base in the tens of millions. . . .

While those who use Defendants' software do not pay for the product, Defendants derive substantial revenue from advertising. For example, StreamCast had \$1.8 million in revenue in 2001 from advertising. . . . And as of July of 2002, StreamCast had \$2 million in revenue and projects \$5.7 million by the end of the year. . . . Grokster also derives substantial revenue from advertising. . . . The more individuals who download the software, the more advertising revenue Defendants collect. And because a substantial number of users download the software to acquire

³There is no admissible evidence that establishes, for instance, that Defendant Grokster controls the file-sharing functionality of the software it distributes.

copyrighted material, a significant proportion of Defendants' advertising revenue depends upon the infringement. Defendants thus derive a financial benefit from the infringement.

2. Right and Ability to Supervise the Infringing Conduct

As noted *supra*, vicarious liability arose from the agency doctrine of respondeat superior. *See Gershwin*, 443 F.2d at 1162. The doctrine ultimately was expanded to include other situations where a defendant has the "right and ability to supervise the infringing activity" of another. . . .

The Ninth Circuit identified similar influence and control in *Napster*. Most notably, Napster had the "right and ability to supervise its users' conduct[,]" including the central indices of files being shared and exchanged. *Napster*, 239 F.3d at 1023 (citing district court opinion). Moreover, Napster users were required to register with Napster, and access to the file-sharing system depended upon a user's valid registration. *Id.* at 1011-12, 1023-24. As a result, Napster possessed--and frequently exercised-- the power to terminate access for users who violated company policies or applicable law. *Id.* at 1023. The "ability to block infringers' access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise" the infringing conduct. *Id.* Together, the centralized search indices and mandatory registration system gave Napster both "knowledge" of what was being exchanged, and an ability to police those exchanges.

Defendants argue principally that they do not have the ability to control the infringement as did these other defendants. Because they have no ability to supervise or control the file-sharing networks, or to restrict access to them, Defendants maintain that they cannot police what is being traded as Napster could. Plaintiffs contend, however, that the software itself could be altered to prevent users from sharing copyrighted files. Indeed, Napster was obligated to exercise its "right to police" to the fullest extent, which included implementing new client software filtering mechanisms. *See Napster*, 239 F.3d at 1023-24.

Plaintiffs note that Defendants' software already includes optional screens for pornographic/obscene file names, and that it could just as easily screen out copyrighted song titles. Likewise, they note that the software searches "meta data"--information beyond the filename contained in the file itself, including artist, title, album, etc.--and that an effective "meta data" screen could likewise be implemented quite easily. Finally, Plaintiffs contend that Defendants could with relative ease employ emerging "digital fingerprinting" technology that would block out a substantial percentage of copyrighted songs. Defendants dispute the feasibility and efficacy of these remedies.

However, whether these safeguards are practicable is immaterial to this analysis, as the obligation to "police" arises only where a defendant has the "right and ability" to supervise *the infringing conduct*. *See Napster*, 239 F.3d at 1023; *Fonovisa*, 76 F.3d at 262. Plaintiffs' argument--that Defendants could do more to limit the functionality of their software with respect to copyrighted works--forgets the critical distinction, broached above, between the Napster "system" and the software distributed by Defendants.

The infringement in *Napster* took place across an "integrated service" designed and operated by Napster. *See Napster*, 239 F.3d at 1022 (quoting district court). Napster possessed the ability to monitor and control its network, and routinely exercised its ability to exclude particular users from it. *See id.* In a virtual sense, the "premises" of he infringement were the Napster network itself, and Napster had a duty to exercise its reserved right and ability to police those premises to the fullest extent possible. The client software was an essential component of

the integrated Napster system, and Napster's obligation to police necessarily extended to the client software itself.

Such is not the case here. Defendants provide software that communicates across networks that are entirely outside Defendants control. In the case of Grokster, the network is the propriety FastTrack network, which is clearly not controlled by Defendant Grokster. In the case of StreamCast, the network is Gnutella, the open-source nature of which apparently places it outside the control of *any* single entity.

While the parties dispute what Defendants feasibly could do to alter their software, here, unlike in *Napster*, there is no admissible evidence before the Court indicating that Defendants have the ability to supervise and control the infringing conduct (all of which occurs *after* the product has passed to end-users). The doctrine of vicarious infringement does not contemplate liability based upon the fact that a product could be made such that it is less susceptible to unlawful use, where no control over the *user* of the product exists. . . .

CONCLUSION

The Court is not blind to the possibility that Defendants may have intentionally structured their businesses to avoid secondary liability for copyright infringement, while benefitting financially from the illicit draw of their wares. While the Court need not decide whether steps could be taken to reduce the susceptibility of such software to unlawful use, assuming such steps could be taken, additional legislative guidance may be well-counseled.

To justify a judicial remedy, however, Plaintiffs invite this Court to expand existing copyright law beyond its well-drawn boundaries. As the Supreme Court has observed, courts must tread lightly in circumstances such as these:

The judiciary's reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. [Citations.] Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the raised permutations of competing interests that are inevitably implicated by such new technology.

In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never calculated such a calculus of interests.

Sony, 464 U.S. at 431, 104 S.Ct. 774 (citations omitted); *accord Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 414, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974).



E. Trademarks as Property

Trademarks are peculiar property. Traditional trademark law gives a trademark owner the right to punish and to prevent consumer confusion by use of the owner's distinctive mark. Moreover, trademark enforcement prevents another product or service from using a mark that is confusingly similar to the distinctive mark. The idea is to keep a second product or service from appearing to come from the same source as the trademark owner's products or services. In order to secure trademark law protection, a trademark owner must first establish the distinctiveness of the trademark and then show a likelihood of consumer confusion.

In the following decision the Sixth Circuit Court of Appeals found that the mark, LAWOFFICES, lacked distinctiveness and therefore denied legal protection under the federal trademark statute, known as the Lanham Act.

DeGidio v. West Group Corp. 355 F.3d 506 (6th Cir. 2004)

KENNEDY, Circuit Judge.

Plaintiff DeGidio argues that the district court erred when it determined that his mark, LAWOFFICES, was descriptive and that it had not acquired secondary meaning.

BACKGROUND

This case represents an attempt by Plaintiff, Anthony DeGidio, to obtain trademark protection for the mark LAWOFFICES.¹ Plaintiff is the registrant of the domain name "lawoffices.net" and alleged founder and owner of the corresponding website,² which provides a directory of forty attorneys, legal information relating to cyberlaw issues, a vanity e-mail service,³ listing of domain names for sale,⁴ and a hosting service for legal related websites.

¹Although the specific facts of this case involve the designation LawOffices.net, as Plaintiff points out, the ".net" has no trademark significance. Appellant Br. at 11 (quoting The Patent and Trademark Office Examination Guide No. 2-99 (Sept. 29, 1999) (noting that when a trademark "is composed, in whole or in part, of a domain name, neither the beginning of the [Uniform Resource Locator] (<http://www.>) nor the TLD [top-level domain] have any source indicating significance. Instead, those designations are merely devices that every Internet site provider must use as part of its address.")) So Plaintiff is really seeking to trademark LAW OFFICES. This would affect those practitioners who have and who will seek to set up their practice as "Law Office[s] of [Individual's Name]."

²Plaintiff registered the domain name on January 25, 1996 and began the creation of the website in February of 1996.

³Vanity e-mail is a service whereby an individual could obtain an e-mail address with "@lawoffices.net" after the individual's name (e.g. smith@lawoffices.net).

⁴Domain names is a service whereby a person can set up a website with ".lawoffices.net" at the end (e.g. smith.lawoffices.net).

Plaintiff, however, does not own either a federal or state registration for the LawOffices.net designation.⁵

Defendants, West Group Corporation, The Thompson Corporation, and West Licensing Corporation, utilize the designation *Law office.com*⁶ and the domain name "lawoffice.com"⁷ to market the West Legal Directory, which serves as an online resource for various legal information.⁸

ANALYSIS

As the district court correctly noted, in order to prevail on any of the first six counts, Plaintiff must establish that the designation "LawOffices.net" is indeed a valid and legally protectable trademark. . . . The district court also correctly noted that the Lanham Act offers protection against infringement of both registered and unregistered marks. . . . To determine whether an unregistered mark is entitled to protection under § 43(a), the courts look to the general principles qualifying a mark for registration under § 2 of the Lanham Act. . . .

As the district court observed, "whether Plaintiff's mark qualifies for trademark protection is determined by where the mark falls along the established spectrum of distinctiveness." *DeGidio*, 191 F.Supp.2d at 910 Putative trademarks may either: (1) be inherently distinctive or (2) acquire distinctiveness through secondary meaning. . . . Professor McCarthy, in his treatise, further explains that:

Within the two basic categories are sub-categories that form the complete spectrum of distinctiveness of marks. Arrayed in an ascending order roughly reflecting their eligibility to trademark status and the degree of protection afforded, the categories are: (1) generic terms; (2) descriptive; (3) suggestive; (4) arbitrary or fanciful. Generic terms can never be trademarks, descriptive terms are not inherently distinctive and suggestive, arbitrary and fanciful terms are regarded as being inherently distinctive.

2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:2 (4th ed.2003)

In the present case, neither party is arguing that Plaintiff's mark is either generic or arbitrary or fanciful. Because suggestive marks are inherently distinctive, whereas descriptive marks can only acquire distinctiveness through secondary meaning, we first consider into which sub-category, Plaintiff's mark falls.

1. Plaintiff's mark is descriptive

⁵The essential features of Plaintiff's putative trademark are: (1) a capitalization of "l" and "o;" (2) pluralization of "lawoffice;" and (3) placement of the term "LawOffice.net" in black font in a horizontal rectangular box that is shaded in marbled white and light gray.

⁶The essential features of Defendant's designation are: (1) capitalization of the letter "l" only; (2) singular, as opposed to plural, "lawoffice;" (3) italicization of "aw;" (4) placement of *Law office.com* in white font in a dark blue rectangular box; (5) a multi-colored open door emblem situated over the "dot;" and (6) the text "from West Legal Directory" place in smaller white font beneath *Law office*.

⁷Visitors to lawoffice.com are redirected to a Findlaw directory page at <http://directory.findlaw.com>.

⁸The website offers information on over four hundred legal topics, a directory of approximately 1 million attorneys and other legal professionals, an online searchable legal dictionary, and a frequently asked questions section. West also offers fee-based services, such as e-mail, website creation and hosting, and sponsorship packages. None of the fee-based services, however, are advertised at the *Law office.com* website.

"A suggestive term suggests rather than describes an ingredient or characteristic of the goods and requires the observer or listener to use imagination and perception to determine the nature of the goods." *Induct-O-Matic*, 747 F.2d at 362. As this Circuit explained earlier, examples of a suggestive term include "CITIBANK, which connotes an urban or modern bank, or GOLIATH, for wood pencils, connoting a large size." *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1117 (6th Cir.1996). On the other hand, a trademark is merely descriptive if it describes one, or more, of the following: "the intended purpose, function or use of the goods ... the class of users of the goods; a desirable characteristic of the goods; or the end effect upon the user." *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1190 (6th Cir.1988). As the *Champions Golf Club* court explained, "examples of descriptive marks are BEST, SUPERIOR, and PREFERRED." *Champions Golf Club*, 78 F.3d at 1117.

The district court found that Plaintiff's mark was, at best, descriptive. *DeGidio*, 191 F.Supp.2d at 912. To aid in its determination, the court relied on a following six-factor test that was articulated by Professor McCarthy¹⁰ and accepted by the parties:

- (1) How much imagination on the buyer's part is required in trying to cull a direct message from the mark about the quality, ingredients or characteristics of the product or service? In doing this, it must be kept in mind that the ordinary consumer does not spend much time in the marketplace lingering over such problems. On the other hand, if the potential buying class at issue are experts or professionals, a more critical examination is reasonable.
- (2) Does the mark directly convey a real and unequivocal idea of some characteristic, function, quality or ingredient of the product or service to a reasonably informed potential buyer? That typical buyer will already have some knowledge about the product or service and is neither an expert nor a totally uninformed about the product. Is some reflection or multi-stage reasoning process necessary to cull some direct information about the product from the term used as a mark?
- (3) Does the mark so closely tell something about the product or service that other sellers of like products would be likely to want to use the term in connection with their goods? Perhaps a more realistic way to pose this question is to ask whether, without any prior knowledge of this mark, others would be likely to want to use it to describe their products?
- (4) Are, in fact, other sellers now using this term to describe their products? Even if the mark is descriptive and has attained secondary meaning, if many others in other product markets are using this term, the mark may be labelled [sic] "weak" and entitled only to narrow protection.
- (5) Even though the mark may tell something about the goods or services, is it just as likely to conjure up some other, purely arbitrary connotation? E.g., SUGAR & SPICE baked goods, or POLY PITCHER plastic pitchers.
- (6) How does the mark fit into the basic concept that descriptive marks cannot pinpoint one source by identifying and distinguishing only one seller? That is, are buyers likely to regard the mark really as a symbol of origin, or merely as another form of self-laudatory advertising? 2 MCCARTHY § 11:71.

¹⁰Professor McCarthy developed the test to assist lawyers and judges in distinguishing between descriptive and suggestive marks because "the descriptive-suggestive dichotomy [is not] some kind of concrete and objective classification system. It is no more objective and free of personal predilections that a test which asks persons to divide all color shades into 'light' and 'dark.'" 2 MCCARTHY § 11:71.

Plaintiff raises a number of arguments challenging the district court's holding. We find them to lack any merit. . . .

First, Plaintiff argues that the district court erred when it concluded that "LAWOFFICES was merely descriptive of an online database of attorneys and the electronic publication via a global network of computers" because, according to Plaintiff, there is no "law office that provides a software based service by which the attorney can enter their name, contact information, and specialty, into a database made available to individuals around the world and which is searchable by those users by the attorney's name, state, or specialty." Appellant Br. at 17-18. Plaintiff misses the mark on this argument. When potential clients think of the services that one would obtain from a lawyer in a law office, they certainly envision referrals to specialists, advice on lawyers in other jurisdictions, and other legally-related advice. The fact that Plaintiff (and Defendant) can now provide the same service without a client actually going to a physical office does not change the meaning of the term "law office."¹¹

Second, Plaintiff argues that the district court should have concluded that "LAWOFFICES was suggestive and therefore a trademark for domain name sales (an online searchable database of domain names for sale), website hosting (and third level domain name creation and sales), and the provision of vanity email services." Appellant Br. at 18. Although we find that the district court did not necessarily view evidence in light most favorable to Plaintiff when it applied the six-factor McCarthy test,¹² we nevertheless uphold the district court's opinion. The district court found that the second factor weighed in favor of Plaintiff. It also found that factors three through six weighed heavily in favor of Defendant. Since the descriptive-suggestive distinction is a continuum, we find that, even if we view the evidence in the light most favorable to Plaintiff, the mark LAWOFFICES lies very close to the descriptive end of a continuum.

Finally, as Defendant points out, the main problem with Plaintiff's position is that Defendant in this case is not even accused of providing those services (i.e. domain name sales, website hosting, and vanity e-mail) on the website that allegedly infringed on Plaintiff's mark.¹³ One can imagine a hypothetical case in which a defendant would provide services identical to Plaintiff's on a LAWOFFICE.COM website. That case would present an interesting question of whether "LAWOFFICES" is a suggestive or a descriptive mark with regard to those services. Since the present controversy does not involve such a fact pattern, we do not address the question of whether "LAWOFFICES" could ever be a suggestive mark.

¹¹ Plaintiff in his reply brief takes "issue with the finding that one typically would find a law office which provides to the public the service of searching for other attorneys or a service that publishes law articles and decisions to the public." This statement is baffling because, to the best of this Court's knowledge, attorneys routinely provide references to other attorneys, as well as provide their clients with copies of relevant law articles and court decisions. The fact that Plaintiff chooses not to charge the public for the provision of these services may make him a good person, but it does not entitle him to trademark protection.

¹² With regard to the first factor, the district court noted that "there is not a high degree of imagination that a typical buyer must employ to imagine the nature of Plaintiff's services, particularly in light of the sophistication level of the attorneys and other consumers likely to utilize such a website." *DeGidio*, 191 F.Supp.2d at 912. Had the district court found that after conducting a trial, we would not disturb that finding. We are troubled, however, by this conclusion at a summary judgment stage.

¹³ As Defendant points out in its brief, "a retailer may not claim the word 'Bicycle Shop' as a trademark for his bicycle store because he also sells soft drinks and candy under the 'Bicycle Shop' brand. Because West does not list domain names for sale under its *Law office.com* mark, it does not infringe any supposed protectable element of Gidio's designation." Appellee Br. at 17 n. 10.

2. Plaintiff's mark has not acquired secondary meaning.

Since Plaintiff has failed to establish that his mark is suggestive, he must establish that the mark has acquired secondary meaning in the marketplace. "Secondary meaning is used generally to indicate that a mark or dress has come through use to be uniquely associated with a specific source." *Two Pesos*, 505 U.S. at 766 n. 4, 112 S.Ct. 2753 (citations omitted). Plaintiff "must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." *Inwood Labs., Inc. v. Ives Labs.*, 456 U.S. 844, 851 n. 11, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982). As the district court noted:

Courts in this Circuit evaluate seven factors to determine whether a mark has acquired secondary meaning: (1) direct consumer testimony; (2) consumer surveys; (3) exclusivity, length and manner of use; (4) amount and manner of advertising; (5) amount of sales and number of customers; (6) established place in the market; and (7) proof of intentional copying. . . . "[I]t is the party seeking protection of a mark who bears the burden of proving that secondary meaning has attached." . . . "The evidentiary burden necessary to establish secondary meaning is substantial." . . . Secondary meaning is established when a preponderance of the evidence demonstrates "that the attitude of the consuming public toward the mark denotes 'a single thing coming from a single source.'" . . . The best evidence of secondary meaning is direct evidence; however, such evidence is rarely available. . . . Therefore, courts often draw inferences from the above factors.

[The Court of Appeals then considered each of the seven factors noted above.]

First, with regard to consumer testimony, Plaintiff provided affidavits of three people who visited lawoffices.net website. The affidavits provide no testimony that affiants identify the website with a particular source of services. Mere use of a website does not equal identification with a particular provider. The district court also rejected as irrelevant the rankings by WebsMostLinked.com, a site that ranks websites based upon the number of other sites that link to them. We agree. Second, neither side has provided consumer surveys. Third, the district court found that, even assuming that length and continuity of use is favorable to Plaintiff, the wide use of the phrase "law office(s)" weighed against a finding of secondary meaning. See, e.g., *K'Arsan Corp. v. Christian Dior Perfumes, Inc.*, No. 97-1867, 1998 WL 777987, at *5 (6th Cir.1998) ("Third-party use of 'sun powder' (by at least two, and as many as five, other companies ...) weakens the mark.") (citing *Data Concepts Inc. v. Digital Consulting, Inc.*, 150 F.3d 620, 625 (6th Cir.1998)); *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 260 (5th Cir.1980) (finding it significant that there was widespread third-party registration of "Domino"); *Sun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan Ass'n*, 651 F.2d 311, 316 (5th Cir.1981) (finding 4400 businesses using "Sun" in their names to be "impressive evidence that there would be no likelihood of confusion between Sun Banks and Sun Federal.") Fourth, the district court found that Plaintiff's advertising expenditures of \$2,500 over four years is woefully insufficient to establish secondary meaning. See, e.g., *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 596 (6th Cir.1989) (observing that "extensive advertising which results in consumer association with a single source" is needed to establish secondary meaning and finding that \$100,000 in advertising expenses was not enough to establish secondary meaning without further evidence that such advertising was extensive or beyond necessary to survive in the market.) Fifth, the district court credited evidence that Plaintiff in four years generated mere \$200 in revenue from banner advertisements and click-through revenues. *Burke-Parsons-Bowlby*, 871 F.2d at 596 (\$2,000,000 in gross sales is insufficient to establish secondary meaning). Sixth, neither side presented evidence regarding Plaintiff's market share. Seventh,

Plaintiff failed to establish that Defendant intentionally copied Plaintiff's mark. At most, Plaintiff established that Defendant knew of Plaintiff's website. However, mere knowledge of the competitor's mark is insufficient as a matter of law to prove intentional copying. As the district court noted, "intentional copying ... is not actionable under the Lanham Act absent evidence that the copying was done with the intent to derive a benefit from the reputation of another." *DeGidio*, p.2d at 917 (citations omitted). Plaintiff's suggestion that Defendant wanted to derive a benefit from his minimal \$50 annual business is meritless.

CONCLUSION

In sum, we conclude that Plaintiff's mark is descriptive and that it has not acquired secondary meaning. . . .

- - -

MOORE, Circuit Judge, concurring in part and concurring in the judgment.

While I agree with the majority that DeGidio has failed to demonstrate that his mark has inherent or acquired distinctiveness warranting protection under the Lanham Act, I write separately to explain my conclusion that DeGidio's mark is merely descriptive rather than suggestive.

We deal in this case with two sets of services: the domain name sales, web site hosting, and email hosting services ("internet services"); and the online attorney database and legal information database services ("database services"). I believe that "LawOffices.net" is clearly descriptive as to the provision of legal information and attorney references. With respect to the internet services, however, I read the factual record differently from the majority, for I believe that West is in fact "accused of" providing web site hosting and vanity email services on its web site. *See Appellee's Br. at 7* ("West has also offered ... e-mail and Web site creation and hosting services."). I think it is therefore necessary to inquire whether "LawOffices.net" is descriptive or suggestive as to those two internet services; although the internet services present a more difficult question, one the district court did not fully address, I nonetheless believe that "LawOffices.net" is descriptive as to these services as well.

While it seems settled that if we were to find that DeGidio had a protectable mark in "LawOffices.net," the difference between the ".net" top-level domain ("TLD")¹ and the ".com" TLD on West's mark of "Law office.com" would not matter, *see Patent and Trademark Office, "Examination Guide No. 2-99: Marks Composed, in Whole or in Part, of Domain Names"* (Sept. 29, 1999), I believe that we can consider the entire mark as used by DeGidio when inquiring as to its distinctiveness. *See In re Anylens Acquisition, LLC*, Nos. 02- 1493, 02-1494, 2003 WL 1194293, at *3, 61 Fed.Appx. 698 (Fed.Cir. Mar. 10, 2003) (noting a TLD can distinguish a particular type of organization from organizations associated with other TLDs); *Virtual Works, Inc. v. Volkswagen of America, Inc.*, 238 F.3d 264, 271 (4th Cir.2001) ("vw.net" only "confusingly similar" to "VW"). The TLD ".net" is short for "network," and originally was exclusively for use by network providers. When DeGidio began LawOffices.net, he specifically chose a ".net" TLD because he planned to offer web site hosting services on his web site. *See*

¹Each website has a corresponding domain name, which is an identifier somewhat analogous to a telephone number or street address. Domain names consist of a second-level domain--simply a term or series of terms (e.g., a2zsolutions)--followed by a top-level domain, many of which describe the nature of the enterprise. Top-level domains include ".com" (commercial), ".edu" (educational), ".org" (non-profit and miscellaneous organizations), ".gov" (government), ".net" (networking provider), and ".mil" (military). . . .

Joint Appendix at 98- 100. I would therefore hold that the mark "LawOffices.net" is descriptive as to the network services that DeGidio offered on his site, namely the web site hosting and vanity email services. *See, e.g., Eglen v. America Online, Inc.*, No. TH 00-135-C-M/H, 2003 WL 21508343, at *9-*10 (S.D.Ind. June 12, 2003) ("hometown.net" is descriptive as to local network service provider's services).

The following United States Supreme Court decision, involving the Victoria's Secret trademark, interprets recent amendments to the Trademark Act (Lanham Act) aimed at protecting the selling-value of well-known brands. These relatively new federal anti-dilution provisions authorize owners of "famous marks" to prevent dilution of their marks when others use the famous mark for products or services. In these dilution cases, the trademark owner literally owns the mark, or brand, as a commodity, and can prevent all others from harming the selling-power of the mark. In the *Moseley* decision, the United States Supreme Court insists on strictly limiting a trademark owner's ability to vindicate its famous brand. The court's ruling does not allow a trademark owner to suppress all uses of a famous mark. Before anti-dilution relief is granted, a trademark owner must show actual harm to the selling power of the famous mark.

MOSELEY V. V SECRET CATALOGUE, INC.

537 U.S. 418 (2003)

Stevens, J.

In 1995 Congress amended § 43 of the Trademark Act of 1946, 15 U.S.C. § 1125, to provide a remedy for the "dilution of famous marks." 109 Stat. 985-986. That amendment, known as the Federal Trademark Dilution Act (FTDA), describes the factors that determine whether a mark is "distinctive and famous," and defines the term "dilution" as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."¹ The question we granted certiorari to

¹The FTDA provides: "SEC. 3. REMEDIES FOR DILUTION OF FAMOUS MARKS.

(a) REMEDIES.--Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by adding at the end the following new subsection:

(c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to--

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or

decide is whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) is a requisite for relief under the FTDA.

I

Petitioners, Victor and Cathy Moseley, own and operate a retail store named "Victor's Little Secret" in a strip mall in Elizabethtown, Kentucky. They have no employees.

Respondents are affiliated corporations that own the VICTORIA'S SECRET trademark, and operate over 750 Victoria's Secret stores, two of which are in Louisville, Kentucky, a short drive from Elizabethtown. In 1998 they spent over \$55 million advertising "the VICTORIA'S SECRET brand--one of moderately priced, high quality, attractively designed lingerie sold in a store setting designed to look like a wom[a]n's bedroom." App. 167, 170. They distribute 400 million copies of the Victoria's Secret catalog each year, including 39,000 in Elizabethtown. In 1998 their sales exceeded \$1.5 billion.

In the February 12, 1998, edition of a weekly publication distributed to residents of the military installation at Fort Knox, Kentucky, petitioners advertised the "GRAND OPENING Just in time for Valentine's Day!" of their store "VICTOR'S SECRET" in nearby Elizabethtown. The ad featured "Intimate Lingerie *for every woman*"; "Romantic Lighting"; "Lycra Dresses"; "Pagers"; and "Adult Novelties/Gifts." *Id.*, at 209. An army colonel, who saw the ad and was offended by what he perceived to be an attempt to use a reputable company's trademark to promote the sale of "unwholesome, tawdry merchandise," sent a copy to respondents. *Id.*, at 210. Their counsel then wrote to petitioners stating that their choice of the name "Victor's Secret" for a store selling lingerie was likely to cause confusion with the well-known victoria's secret mark and, in addition, was likely to "dilute the distinctiveness" of the mark. *Id.*, at 190-191. They requested the immediate discontinuance of the use of the name "and any variations thereof." *Ibid.* In response, petitioners changed the name of their store to "Victor's Little Secret."

to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.'

(b) CONFORMING AMENDMENT.--The heading for title VIII of the Trademark Act of 1946 is amended by striking 'AND FALSE DESCRIPTIONS' and inserting, 'FALSE DESCRIPTIONS, AND DILUTION.'

SEC. 4. DEFINITION.

"Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the paragraph defining when a mark shall be deemed to be 'abandoned' the following:

The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of--

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.'" 109 Stat. 985- 986.

Because that change did not satisfy respondents,² they promptly filed this action in Federal District Court.

The complaint contained four separate claims: (1) for trademark infringement alleging that petitioners' use of their trade name was "likely to cause confusion and/or mistake in violation of 15 U.S.C. § 1114(1)"; (2) for unfair competition alleging misrepresentation in violation of § 1125(a); (3) for "federal dilution" in violation of the FTDA; and (4) for trademark infringement and unfair competition in violation of the common law of Kentucky. *Id.*, at 15, 20-23. In the dilution count, the complaint alleged that petitioners' conduct was "likely to blur and erode the distinctiveness" and "tarnish the reputation" of the VICTORIA'S SECRET trademark. *Ibid.*

. . . The record contained uncontradicted affidavits and deposition testimony describing the vast size of respondents' business, the value of the VICTORIA'S SECRET name, and descriptions of the items sold in the respective parties' stores. Respondents sell a "complete line of lingerie" and related items, each of which bears a VICTORIA'S SECRET label or tag.³ Petitioners sell a wide variety of items, including adult videos, "adult novelties," and lingerie.⁴ Victor Moseley stated in an affidavit that women's lingerie represented only about five per cent of their sales. . . . In support of their motion for summary judgment, respondents submitted an affidavit by an expert in marketing who explained "the enormous value" of respondents' mark. . . . Neither he, nor any other witness, expressed any opinion concerning the impact, if any, of petitioners' use of the name "Victor's Little Secret" on that value.

. . . [Concluding] that "no likelihood of confusion exists as a matter of law," [the trial court found no traditional trademark infringement. However,] [r]easoning from the premise that dilution "corrodes" a trademark either by "blurring its product identification or by damaging positive associations that have attached to it," the [trial] court first found the two marks to be sufficiently similar to cause dilution, and then found "that Defendants' mark dilutes Plaintiffs' mark because of its tarnishing effect upon the Victoria's Secret mark." *Id.*, at 38a-39a (quoting *Ameritech, Inc. v. American Info. Technologies Corp.*, 811 F.2d 960, 965 (C.A.6 1987)). It therefore enjoined petitioners "from using the mark 'Victor's Little Secret' on the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark." App. to Pet. for Cert. 38a-39a. The court did not, however, find that any "blurring" had occurred. *Ibid.*

The Court of appeals for the Sixth Circuit [held]: "While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name 'Victor's Little Secret' are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop. This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee

²After being advised of a proposal to change the store name to "VICTOR'S LITTLE SECRETS," respondents' counsel requested detailed information about the store in order to consider whether that change "would be acceptable. . . . Respondents filed suit two months after this request.

³Respondents described their business as follows: "Victoria's Secret stores sell a complete line of lingerie, women's undergarments and nightwear, robes, caftans and kimonos, slippers, sachets, lingerie bags, hanging bags, candles, soaps, cosmetic brushes, atomizers, bath products and fragrances." . . .

⁴In answer to an interrogatory, petitioners stated that they "sell novelty action clocks, patches, temporary tattoos, stuffed animals, coffee mugs, leather biker wallets, zippo lighters, diet formula, diet supplements, jigsaw puzzles, whyss, handcuffs [*sic*], hosiery bubble machines, greeting cards, calendars, incense burners, car air fresheners, sunglasses, ball caps, jewelry, candles, lava lamps, blacklights, fiber optic lights, rock and roll prints, lingerie, pagers, candy, adult video tapes, adult novelties, t-shirts, etc." . . .

mugs) and by blurring (linking the chain with a single, unauthorized establishment). Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis . . .”

II

Traditional trademark infringement law is a part of the broader law of unfair competition . . . that has its sources in English common law, and was largely codified in the Trademark Act of 1946 (Lanham Act). That law broadly prohibits uses of trademarks, trade names, and trade dress that are likely to cause confusion about the source of a product or service. See 15 U.S.C. §§ 1114, 1125(a)(1)(A). Infringement law protects consumers from being misled by the use of infringing marks and also protects producers from unfair practices by an "imitating competitor." *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163-164, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995).

. . . [W]e decide the case on the assumption that the Moseleys' use of the name "Victor's Little Secret" neither confused any consumers or potential consumers, nor was likely to do so. Moreover, [we] decide the case on the assumption that there was no significant competition between the adversaries in this case. Neither the absence of any likelihood of confusion nor the absence of competition, however, provides a defense to the statutory dilution . . .

Unlike traditional infringement law, the prohibitions against trademark dilution are not the product of common-law development, and are not motivated by an interest in protecting consumers. The seminal discussion of dilution is found in Frank Schechter's 1927 law review article concluding "that the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection." *Rational Basis of Trademark Protection*, 40 Harv. L.Rev. 813, 831. . . .

Some 20 years later Massachusetts enacted the first state statute protecting trademarks from dilution. It provided:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief in cases of trademark infringement or unfair competition notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services. 1947 Mass. Acts, p. 300, ch. 307.

[T]hat statute . . . prohibited both the likelihood of "injury to business reputation" and "dilution." It thus expressly applied to both "tarnishment" and "blurring." At least 25 States passed similar laws in the decades before the FTDA was enacted in 1995. See Restatement (Third) of Unfair Competition § 25, Statutory Note (1995).

IV

The Victoria's Secret mark is unquestionably valuable and petitioners have not challenged the conclusion that it qualifies as a "famous mark" within the meaning of the statute. Moreover, as we understand their submission, petitioners do not contend that the statutory protection is confined to identical uses of famous marks, or that the statute should be construed more narrowly in a case such as this. Even if the legislative history might lend some support to such a contention, it surely is not compelled by the statutory text.

The District Court's decision in this case rested on the conclusion that the name of petitioners' store "tarnished" the reputation of respondents' mark, and the Court of Appeals relied on both "tarnishment" and "blurring" to support its affirmance. Petitioners have not disputed the relevance of tarnishment, Tr. of Oral Arg. 5-7, presumably because that concept was prominent in litigation brought under state antidilution statutes and because it was mentioned in the legislative history. Whether it is actually embraced by the statutory text, however, is another matter. Indeed, the contrast between the state statutes, which expressly refer to both "injury to

business reputation" and to "dilution of the distinctive quality of a trade name or trademark," and the federal statute which refers only to the latter, arguably supports a narrower reading of the FTDA. . . .

The contrast between the state statutes and the federal statute, however, sheds light on the precise question that we must decide. For those state statutes, like several provisions in the federal Lanham Act, repeatedly refer to a "likelihood" of harm, rather than to a completed harm. The relevant text of the FTDA, quoted in full in note 1, *supra*, provides that "the owner of a famous mark" is entitled to injunctive relief against another person's commercial use of a mark or trade name if that use "*causes dilution* of the distinctive quality" of the famous mark. 15 U.S.C. § 1125(c)(1) (emphasis added). This text unambiguously requires a showing of actual dilution, rather than a likelihood of dilution. Conclusion is fortified by the definition of the term "dilution" itself. That definition provides:

The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of--

- (1) competition between the owner of the famous mark and other parties, or
- (2) likelihood of confusion, mistake, or deception. § 1127.

The contrast between the initial reference to an actual "lessening of the capacity" of the mark, and the later reference to a "likelihood of confusion, mistake, or deception" in the second caveat confirms the conclusion that actual dilution must be established.

Of course, that does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved. . . [A]t least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution. . . . [S]uch mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA. "Blurring" is not a necessary consequence of mental association. (Nor, for that matter, is "tarnishing.")

The record in this case establishes that an army officer who saw the advertisement of the opening of a store named "Victor's Secret" did make the mental association with "Victoria's Secret," but it also shows that he did not therefore form any different impression of the store than his wife and daughter had patronized. There is a complete absence of evidence of any lessening of the capacity of the Victoria's Secret mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs. The officer was offended by the ad, but it did not change his conception of Victoria's Secret. His offense was directed entirely at petitioners, not at respondents. Moreover, the expert retained by respondents had nothing to say about the impact of petitioners' name on the strength of respondents' mark.

Noting that consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable, respondents and their *amici* argue that evidence of an actual "lessening of the capacity of a famous mark to identify and distinguish goods or services," § 1127, may be difficult to obtain. It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence--the obvious case is one where the junior and senior marks are identical. Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation. The evidence in the present record is not sufficient to support the summary judgment on the dilution count. The judgment is therefore reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice Kennedy, concurring.

As of this date, few courts have reviewed the statute we are considering, the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c), and I agree with the Court that the evidentiary showing required by the statute can be clarified on remand. The conclusion that the VICTORIA'S SECRET mark is a famous mark has not been challenged throughout the litigation, *ante*, at 1120, 1124, and seems not to be in question. The remaining issue is what factors are to be considered to establish dilution.

For this inquiry, considerable attention should be given, in my view, to the word "capacity" in the statutory phrase that defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." 15 U.S.C. § 1127. When a competing mark is first adopted, there will be circumstances when the case can turn on the probable consequences its commercial use will have for the famous mark. In this respect, the word "capacity" imports into the dilution inquiry both the present and the potential power of the famous mark to identify and distinguish goods, and in some cases the fact that this power will be diminished could suffice to show dilution. Capacity is defined as "the power or ability to hold, receive, or accommodate." Webster's Third New International Dictionary 330 (1961); see also Webster's New International Dictionary 396 (2d ed. 1949) ("Power of receiving, containing, or absorbing"); 2 Oxford English Dictionary 857 (2d ed. 1989) ("Ability to receive or contain; holding power"); American Heritage Dictionary 275 (4th ed. 2000) ("The ability to receive, hold, or absorb"). If a mark will erode or lessen the power of the famous mark to give customers the assurance of quality and the full satisfaction they have in knowing they have purchased goods bearing the famous mark, the elements of dilution may be established.

Diminishment of the famous mark's capacity can be shown by the probable consequences flowing from use or adoption of the competing mark. This analysis is confirmed by the statutory authorization to obtain injunctive relief. 15 U.S.C. § 1125(c)(2). The essential role of injunctive relief is to "prevent future wrong, although no right has yet been violated." *Swift & Co. v. United States*, 276 U.S. 311, 326, 48 S.Ct. 311, 72 L.Ed. 587 (1928). Equity principles encourage those who are injured to assert their rights promptly. A holder of a famous mark threatened with diminishment of the mark's capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded.

. . . The Court's opinion does not foreclose injunctive relief if respondents on remand present sufficient evidence of either blurring or tarnishment.

With these observations, I join the opinion of the Court.

A "fair use" defense against trademark infringement, is discussed in a recent case involving Tiger Woods, *ETW Corp. V. Jireh Publishing, Inc.*, 332 F.3d 915, included below in connection with rights of publicity. See the next section, "Persona As Property."



F. Persona as Property

The following three court decisions discuss California state law regarding rights of personality. All three are from the United States Court of Appeals for the Ninth Circuit. They illustrate contrasting views regarding intellectual property rights associated with the personalities of celebrities.

MIDLER V. FORD MOTOR COMPANY 849 F.2d 460 (9th Cir. 1988)

NOONAN, Circuit Judge:

This case centers on the protectibility of the voice of a celebrated chanteuse from commercial exploitation without her consent. Ford Motor Company and its advertising agency, Young & Rubicam, Inc., in 1985 advertised the Ford Lincoln Mercury with a series of nineteen 30 or 60 second television commercials in what the agency called "The Yuppie Campaign." The aim was to make an emotional connection with Yuppies, bringing back memories of when they were in college. Different popular songs of the seventies were sung on each commercial. The agency tried to get "the original people," that is, the singers who had popularized the songs, to sing them. Failing in that endeavor in ten cases the agency had the songs sung by "sound alikes." Bette Midler, the plaintiff and appellant here, was done by a sound alike.

Midler is a nationally known actress and singer. She won a Grammy as early as 1973 as the Best New Artist of that year. Records made by her since then have gone Platinum and Gold. She was nominated in 1979 for an Academy award for Best Female Actress in *The Rose*, in which she portrayed a pop singer. *Newsweek* in its June 30, 1986 issue described her as an "outrageously original singer/comedian." *Time* hailed her in its March 2, 1987 issue as "a legend" and "the most dynamic and poignant singer-actress of her time."

When Young & Rubicam was preparing the Yuppie Campaign it presented the commercial to its client by playing an edited version of Midler singing "Do You Want To Dance," taken from the 1973 Midler album, "The Divine Miss M." After the client accepted the idea and form of the commercial, the agency contacted Midler's manager, Jerry Edelstein. The conversation went as follows: "Hello, I am Craig Hazen from Young and Rubicam. I am calling you to find out if Bette Midler would be interested in doing ...? Edelstein: "Is it a commercial?" "Yes." "We are not interested."

Undeterred, Young & Rubicam sought out Ula Hedwig whom it knew to have been one of "the Harlettes" a backup singer for Midler for ten years. Hedwig was told by Young & Rubicam that "they wanted someone who could sound like Bette Midler's recording of [Do You Want To Dance]." She was asked to make a "demo" tape of the song if she was interested. She made an a capella demo and got the job.

At the direction of Young & Rubicam, Hedwig then made a record for the commercial. The Midler record of "Do You Want To Dance" was first played to her. She was told to "sound as much as possible like the Bette Midler record," leaving out only a few "aahs" unsuitable for the commercial. Hedwig imitated Midler to the best of her ability.

After the commercial was aired Midler was told by "a number of people" that it "sounded exactly" like her record of "Do You Want To Dance." Hedwig was told by "many personal friends" that they thought it was Midler singing the commercial. Ken Fritz, a personal manager

in the entertainment business not associated with Midler, declares by affidavit that he heard the commercial on more than one occasion and thought Midler was doing the singing.

Neither the name nor the picture of Midler was used in the commercial; Young & Rubicam had a license from the copyright holder to use the song. At issue in this case is only the protection of Midler's voice. The district court described the defendants' conduct as that "of the average thief." They decided, "If we can't buy it, we'll take it." The court nonetheless believed there was no legal principle preventing imitation of Midler's voice and so gave summary judgment for the defendants. Midler appeals.

The First Amendment protects much of what the media do in the reproduction of likenesses or sounds. A primary value is freedom of speech and press. *Time, Inc. v. Hill*, 385 U.S. 374, 388, 87 S.Ct. 534, 542, 17 L.Ed.2d 456 (1967). The purpose of the media's use of a person's identity is central. If the purpose is "informative or cultural" the use is immune; "if it serves no such function but merely exploits the individual portrayed, immunity will not be granted." *Felcher and Rubin, "Privacy, Publicity and the Portrayal of Real People by the Media,"* 88 Yale L.J. 1577, 1596 (1979). Moreover, federal copyright law preempts much of the area. "Mere imitation of a recorded performance would not constitute a copyright infringement even where one performer deliberately sets out to simulate another's performance as exactly as possible." *Notes of Committee on the Judiciary*, 17 U.S.C.A. § 114(b). It is in the context of these First Amendment and federal copyright distinctions that we address the present appeal. . . .

If Midler were claiming a secondary meaning to "Do You Want To Dance" or seeking to prevent the defendants from using that song, she would fail But that is not this case. Midler does not seek damages for Ford's use of "Do You Want To Dance," and thus her claim is not preempted by federal copyright law. Copyright protects "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102(a). A voice is not copyrightable. The sounds are not "fixed." What is put forward as protectible here is more personal than any work of authorship. . . .

California Civil Code section 3344 is also of no aid to Midler. The statute affords damages to a person injured by another who uses the person's "name, voice, signature, photograph or likeness, in any manner." The defendants did not use Midler's name or anything else whose use is prohibited by the statute. The voice they used was Hedwig's, not hers. The term "likeness" refers to a visual image not a vocal imitation. The statute, however, does not preclude Midler from pursuing any cause of action she may have at common law; the statute itself implies that such common law causes of action do exist because it says its remedies are merely "cumulative." *Id.* § 3344(g).

The companion statute protecting the use of a deceased person's name, voice, signature, photograph or likeness states that the rights it recognizes are "property rights." *Id.* § 990(b). By analogy the common law rights are also property rights. Appropriation of such common law rights is a tort in California. *Motschenbacher v. R.J. Reynolds Tobacco Co.*, 498 F.2d 821 (9th Cir.1974). In that case what the defendants used in their television commercial for Winston cigarettes was a photograph of a famous professional racing driver's racing car. The number of the car was changed and a wing-like device known as a "spoiler" was attached to the car; the car's features of white pinpointing, an oval medallion, and solid red coloring were retained. The driver, Lothar Motschenbacher, was in the car but his features were not visible. Some persons, viewing the commercial, correctly inferred that the car was his and that he was in the car and was therefore endorsing the product. The defendants were held to have invaded a "proprietary interest" of Motschenbacher in his own identity. *Id.* at 825.

Midler's case is different from Motschenbacher's. He and his car were physically used by the tobacco company's ad; he made part of his living out of giving commercial endorsements. But, as Judge Koelsch expressed it in Motschenbacher, California will recognize an injury from "an appropriation of the attributes of one's identity." Id. at 824. It was irrelevant that Motschenbacher could not be identified in the ad. The ad suggested that it was he. The ad did so by emphasizing signs or symbols associated with him. In the same way the defendants here used an imitation to convey the impression that Midler was singing for them.

Why did the defendants ask Midler to sing if her voice was not of value to them? Why did they studiously acquire the services of a sound-alike and instruct her to imitate Midler if Midler's voice was not of value to them? What they sought was an attribute of Midler's identity. Its value was what the market would have paid for Midler to have sung the commercial in person.

A voice is more distinctive and more personal than the automobile accouterments protected in Motschenbacher. A voice is as distinctive and personal as a face. The human voice is one of the most palpable ways identity is manifested. We are all aware that a friend is at once known by a few words on the phone. At a philosophical level it has been observed that with the sound of a voice, "the other stands before me." D. Ihde, *Listening and Voice* 77 (1976). A fortiori, these observations hold true of singing, especially singing by a singer of renown. The singer manifests herself in the song. To impersonate her voice is to pirate her identity. See W. Keeton, D. Dobbs, R. Keeton, D. Owen, Prosser & Keeton on *Torts* 852 (5th ed. 1984).

We need not and do not go so far as to hold that every imitation of a voice to advertise merchandise is actionable. We hold only that when a distinctive voice of a professional singer is widely known and is deliberately imitated in order to sell a product, the sellers have appropriated what is not theirs and have committed a tort in California. Midler has made a showing, sufficient to defeat summary judgment, that the defendants here for their own profit in selling their product did appropriate part of her identity.

Reversed and Remanded for Trial.

[The case was later tried before a jury, which awarded Bette Midler \$400,000 in compensatory damages. The judge ruled against her punitive damages claim. Both sides appealed, and the trial court judgment was upheld in an unpublished opinion of the Ninth Circuit noted at 944 F.2d 909 (9th Cir. 1991) and reported at 1991 WL 185170.]

The intellectual property at issue in the following case is Vanna White's inimitable style of performing on the television program, "Wheel of Fortune." Photographs of both Ms. White and the offending advertisement were attached as an appendix to the dissenting opinion of Judge Kozinski and are reproduced at the end of his opinion.

WHITE V. SAMSUNG ELECTRONICS AMERICA, INC.
971 F.2d 1395 (9th Cir. 1992)

GOODWIN, Senior Circuit Judge:

This case involves a promotional "fame and fortune" dispute. In running a particular advertisement without Vanna White's permission, defendants Samsung Electronics America, Inc. (Samsung) and David Deutsch Associates, Inc. (Deutsch) attempted to capitalize on White's

fame to enhance their fortune. White sued, alleging infringement of various intellectual property rights, but the district court granted summary judgment in favor of the defendants. We affirm in part, reverse in part, and remand.

Plaintiff Vanna White is the hostess of "Wheel of Fortune," one of the most popular game shows in television history. An estimated forty million people watch the program daily. Capitalizing on the fame which her participation in the show has bestowed on her, White markets her identity to various advertisers.

The dispute in this case arose out of a series of advertisements prepared for Samsung by Deutsch. The series ran in at least half a dozen publications with widespread, and in some cases national, circulation. Each of the advertisements in the series followed the same theme. Each depicted a current item from popular culture and a Samsung electronic product. Each was set in the twenty-first century and conveyed the message that the Samsung product would still be in use by that time. By hypothesizing outrageous future outcomes for the cultural items, the ads created humorous effects. For example, one lampooned current popular notions of an unhealthy diet by depicting a raw steak with the caption: "Revealed to be health food. 2010 A.D." Another depicted irreverent "news"-show host Morton Downey Jr. in front of an American flag with the caption: "Presidential candidate. 2008 A.D."

The advertisement which prompted the current dispute was for Samsung video-cassette recorders (VCRs). The ad depicted a robot, dressed in a wig, gown, and jewelry which Deutsch consciously selected to resemble White's hair and dress. The robot was posed next to a game board which is instantly recognizable as the Wheel of Fortune game show set, in a stance for which White is famous. The caption of the ad read: "Longest-running game show. 2012 A.D." Defendants referred to the ad as the "Vanna White" ad. Unlike the other celebrities used in the campaign, White neither consented to the ads nor was she paid. . . .

II. Right of Publicity

. . . . [T]he common law right of publicity reaches means of appropriation other than name or likeness,. . . . The right of publicity does not require that appropriations of identity be accomplished through particular means to be actionable. It is noteworthy that the Midler . . . defendants not only avoided using the plaintiff's name or likeness, but they also avoided appropriating the celebrity's voice, signature, and photograph. . . . Advertisers use celebrities to promote their products. The more popular the celebrity, the greater the number of people who recognize her, and the greater the visibility for the product. The identities of the most popular celebrities are not only the most attractive for advertisers, but also the easiest to evoke without resorting to obvious means such as name, likeness, or voice. . . .

Television and other media create marketable celebrity identity value. Considerable energy and ingenuity are expended by those who have achieved celebrity value to exploit it for profit. The law protects the celebrity's sole right to exploit this value whether the celebrity has achieved her fame out of rare ability, dumb luck, or a combination thereof. We decline Samsung and Deutch's invitation to permit the evisceration of the common law right of publicity through means as facile as those in this case. Because White has alleged facts showing that Samsung and Deutch had appropriated her identity, the district court erred by rejecting, on summary judgment, White's common law right of publicity claim. . . .

IV. The Parody Defense

In defense, defendants cite a number of cases for the proposition that their robot ad constituted protected speech. . . . This case involves a true advertisement run for the purpose of

selling Samsung VCRs. The ad's spoof of Vanna White and Wheel of Fortune is subservient and only tangentially related to the ad's primary message: "buy Samsung VCRs." Defendants' parody arguments are better addressed to non-commercial parodies. The difference between a "parody" and a "knock-off" is the difference between fun and profit. . . .

In remanding this case, we hold only that White has pleaded claims which can go to the jury for its decision.

Samsung then requested a rehearing en banc, by all of the judges of the 9th Circuit. Although this request for rehearing was rejected, three judges, joined in the following dissenting opinion.

WHITE V. SAMSUNG ELECTRONICS AMERICA, INC.

989 F.2d 1512 (9th Cir. 1993)

KOZINSKI, Circuit Judge, with whom Circuit Judges O'SCANLAIN and KLEINFELD join, dissenting from the order rejecting the suggestion for rehearing en banc.*

I

Saddam Hussein wants to keep advertisers from using his picture in unflattering contexts.¹ Clint Eastwood doesn't want tabloids to write about him.² Rudolf Valentino's heirs want to control his film biography.³ The Girl Scouts don't want their image soiled by association with certain activities.⁴ George Lucas wants to keep Strategic Defense Initiative fans from calling it "Star Wars."⁵ Pepsico doesn't want singers to use the word "Pepsi" in their songs.⁶

*Many footnotes are omitted from this opinion.

¹See Eben Shapiro, Rising Caution on Using Celebrity Images, N.Y. Times, Nov. 4, 1992, at D20 (Iraqi diplomat objects on right of publicity grounds to ad containing Hussein's picture and caption "History has shown what happens when one source controls all the information").

²Eastwood v. Superior Court, 149 Cal.App.3d 409, 198 Cal.Rptr. 342 (1983).

³Guglielmi v. Spelling-Goldberg Prods., 25 Cal.3d 860, 160 Cal.Rptr. 352, 603 P.2d 454 (1979) (Rudolph Valentino); see also Maheu v. CBS, Inc., 201 Cal.App.3d 662, 668, 247 Cal.Rptr. 304 (1988) (aide to Howard Hughes). Cf. Frank Gannon, Vanna Karenina, in Vanna Karenina and Other Reflections (1988) (A humorous short story with a tragic ending. "She thought of the first day she had met VR_SKY. How foolish she had been. How could she love a man who wouldn't even tell her all the letters in his name?").

⁴Girl Scouts v. Personality Posters Mfg., 304 F.Supp. 1228 (S.D.N.Y.1969) (poster of a pregnant girl in a Girl Scout uniform with the caption "Be Prepared").

⁵Lucasfilm Ltd. v. High Frontier, 622 F.Supp. 931 (D.D.C.1985).

⁶Pepsico Inc. claimed the lyrics and packaging of grunge rocker Tad Doyle's "Jack Pepsi" song were "offensive to [it] and [...] likely to offend [its] customers," in part because they "associate [Pepsico] and its Pepsi marks with intoxication and drunk driving." Deborah Russell, Doyle Leaves Pepsi Thirsty for Compensation, Billboard, June 15, 1991, at 43. Conversely, the Hell's Angels recently sued Marvel Comics to keep it from publishing a comic book called "Hell's Angel," starring a character of the same name. Marvel settled by paying \$35,000 to charity and promising never to use the name "Hell's Angel" again in connection with any of its publications. Marvel, Hell's Angels Settle Trademark Suit, L.A. Daily J., Feb. 2, 1993, § II, at 1.

Trademarks are often reflected in the mirror of our popular culture. See Truman Capote, Breakfast at Tiffany's (1958); Kurt Vonnegut, Jr., Breakfast of Champions (1973); Tom Wolfe, The Electric Kool-Aid Acid Test (1968) (which, incidentally, includes a chapter on the Hell's Angels); Larry Niven, Man of Steel, Woman of Kleenex, in All

Guy Lombardo wants an exclusive property right to ads that show big bands playing on New Year's Eve.⁷ Uri Geller thinks he should be paid for ads showing psychics bending metal through telekinesis.⁸ Paul Prudhomme, that household name, thinks the same about ads featuring corpulent bearded chefs.⁹ And scads of copyright holders see purple when their creations are made fun of.¹⁰

Something very dangerous is going on here. Private property, including intellectual property, is essential to our way of life. It provides an incentive for investment and innovation; it stimulates the flourishing of our culture; it protects the moral entitlements of people to the fruits of their labors. But reducing too much to private property can be bad medicine. Private land, for instance, is far more useful if separated from other private land by public streets, roads and highways. Public parks, utility rights-of-way and sewers reduce the amount of land in private hands, but vastly enhance the value of the property that remains.

So too it is with intellectual property. Overprotecting intellectual property is as harmful as underprotecting it. Creativity is impossible without a rich public domain. Nothing today, likely nothing since we tamed fire, is genuinely new: Culture, like science and technology, grows by accretion, each new creator building on the works of those who came before. Overprotection stifles the very creative forces it's supposed to nurture.

The panel's opinion is a classic case of overprotection. Concerned about what it sees as a wrong done to Vanna White, the panel majority erects a property right of remarkable and dangerous breadth: Under the majority's opinion, it's now a tort for advertisers to remind the public of a celebrity. Not to use a celebrity's name, voice, signature or likeness; not to imply the

the Myriad Ways (1971); Looking for Mr. Goodbar (1977); The Coca-Cola Kid (1985) (using Coca-Cola as a metaphor for American commercialism); The Kentucky Fried Movie (1977); Harley Davidson and the Marlboro Man (1991); The Wonder Years (ABC 1988-present) ("Wonder Years" was a slogan of Wonder Bread); Tim Rice & Andrew Lloyd Webber, Joseph and the Amazing Technicolor Dream Coat (musical).

Hear Janis Joplin, Mercedes Benz, on Pearl (CBS 1971); Paul Simon, Kodachrome, on There Goes Rhymin' Simon (Warner 1973); Leonard Cohen, Chelsea Hotel, on The Best of Leonard Cohen (CBS 1975); Bruce Springsteen, Cadillac Ranch, on The River (CBS 1980); Prince, Little Red Corvette, on 1999 (Warner 1982); dada, Dizz Knee Land, on Puzzle (IRS 1992) ("I just robbed a grocery store--I'm going to Disneyland / I just flipped off President George--I'm going to Disneyland"); Monty Python, Spam, on The Final Rip Off (Virgin 1988); Roy Clark, Thank God and Greyhound [You're Gone], on Roy Clark's Greatest Hits Volume I (MCA 1979); Mel Tillis, Coca-Cola Cowboy, on The Very Best of (MCA 1981) ("You're just a Coca-Cola cowboy / You've got an Eastwood smile and Robert Redford hair ...").

Dance to Talking Heads, Popular Favorites 1976-92: Sand in the Vaseline (Sire 1992); Talking Heads, Popsicle, on id. Admire Andy Warhol, Campbell's Soup Can. Cf. REO Speedwagon, 38 Special, and Jello Biafra of the Dead Kennedys.

The creators of some of these works might have gotten permission from the trademark owners, though it's unlikely Kool-Aid relished being connected with LSD, Hershey with homicidal maniacs, Disney with armed robbers, or Coca-Cola with cultural imperialism. Certainly no free society can demand that artists get such permission.

⁷Lombardo v. Doyle, Dane & Bernbach, Inc., 58 A.D.2d 620, 396 N.Y.S.2d 661 (1977).

⁸Geller v. Fallon McElligott, No. 90-Civ-2839 (S.D.N.Y. July 22, 1991) (involving a Timex ad).

⁹Prudhomme v. Procter & Gamble Co., 800 F.Supp. 390 (E.D.La.1992).

¹⁰E.g., Acuff-Rose Music, Inc. v. Campbell, 972 F.2d 1429 (6th Cir.1992); Cliffs Notes v. Bantam Doubleday Dell Publishing Group, Inc., 886 F.2d 490 (2d Cir.1989); Fisher v. Dees, 794 F.2d 432 (9th Cir.1986); MCA, Inc. v. Wilson, 677 F.2d 180 (2d Cir.1981); Elsmere Music, Inc. v. NBC, 623 F.2d 252 (2d Cir.1980); Walt Disney Prods. v. The Air Pirates, 581 F.2d 751 (9th Cir.1978); Berlin v. E.C. Publications, Inc., 329 F.2d 541 (2d Cir.1964); Lowenfels v. Nathan, 2 F.Supp. 73 (S.D.N.Y.1932).

celebrity endorses a product; but simply to evoke the celebrity's image in the public's mind. This Orwellian notion withdraws far more from the public domain than prudence and common sense allow. It conflicts with the Copyright Act and the Copyright Clause. It raises serious First Amendment problems. It's bad law, and it deserves a long, hard second look.

II

Samsung ran an ad campaign promoting its consumer electronics. Each ad depicted a Samsung product and a humorous prediction: One showed a raw steak with the caption "Revealed to be health food. 2010 A.D." Another showed Morton Downey, Jr. in front of an American flag with the caption "Presidential candidate. 2008 A.D."¹¹ The ads were meant to convey--humorously--that Samsung products would still be in use twenty years from now.

The ad that spawned this litigation starred a robot dressed in a wig, gown and jewelry reminiscent of Vanna White's hair and dress; the robot was posed next to a Wheel-of-Fortune-like game board. See Appendix. The caption read "Longest-running game show. 2012 A.D." The gag here, I take it, was that Samsung would still be around when White had been replaced by a robot.

Perhaps failing to see the humor, White sued, alleging Samsung infringed her right of publicity by "appropriating" her "identity." Under California law, White has the exclusive right to use her name, likeness, signature and voice for commercial purposes. Cal.Civ.Code § 3344(a); Eastwood v. Superior Court, 149 Cal.App.3d 409, 417, 198 Cal.Rptr. 342, 347 (1983). But Samsung didn't use her name, voice or signature, and it certainly didn't use her likeness. The ad just wouldn't have been funny had it depicted White or someone who resembled her--the whole joke was that the game show host(ess) was a robot, not a real person. No one seeing the ad could have thought this was supposed to be White in 2012.

The district judge quite reasonably held that, because Samsung didn't use White's name, likeness, voice or signature, it didn't violate her right of publicity. 971 F.2d at 1396-97. Not so, says the panel majority: The California right of publicity can't possibly be limited to name and likeness. If it were, the majority reasons, a "clever advertising strategist" could avoid using White's name or likeness but nevertheless remind people of her with impunity, "effectively eviscerat[ing]" her rights. To prevent this "evisceration," the panel majority holds that the right of publicity must extend beyond name and likeness, to any "appropriation" of White's "identity"-- anything that "evoke[s]" her personality. Id. at 1398-99.

III

But what does "evisceration" mean in intellectual property law? Intellectual property rights aren't like some constitutional rights, absolute guarantees protected against all kinds of interference, subtle as well as blatant. They cast no penumbras, emit no emanations: The very point of intellectual property laws is that they protect only against certain specific kinds of appropriation. I can't publish unauthorized copies of, say, *Presumed Innocent*; I can't make a movie out of it. But I'm perfectly free to write a book about an idealistic young prosecutor on trial for a crime he didn't commit. So what if I got the idea from *Presumed Innocent*? So what if it reminds readers of the original? Have I "eviscerated" Scott Turow's intellectual property

¹¹I had never heard of Morton Downey, Jr., but I'm told he's sort of like Rush Limbaugh, but not as shy.

rights? Certainly not. All creators draw in part on the work of those who came before, referring to it, building on it, poking fun at it; we call this creativity, not piracy.¹²

The majority isn't, in fact, preventing the "evisceration" of Vanna White's existing rights; it's creating a new and much broader property right, a right unknown in California law.¹³ It's replacing the existing balance between the interests of the celebrity and those of the public by a different balance, one substantially more favorable to the celebrity. Instead of having an exclusive right in her name, likeness, signature or voice, every famous person now has an exclusive right to anything that reminds the viewer of her. After all, that's all Samsung did: It used an inanimate object to remind people of White, to "evoke [her identity]." 971 F.2d at 1399.¹⁴

Consider how sweeping this new right is. What is it about the ad that makes people think of White? It's not the robot's wig, clothes or jewelry; there must be ten million blond women (many of them quasi-famous) who wear dresses and jewelry like White's. It's that the robot is posed near the "Wheel of Fortune" game board. Remove the game board from the ad, and no one would think of Vanna White. See Appendix. But once you include the game board, anybody standing beside it--a brunette woman, a man wearing women's clothes, a monkey in a wig and gown--would evoke White's image, precisely the way the robot did. It's the "Wheel of Fortune" set, not the robot's face or dress or jewelry that evokes White's image. The panel is giving White an exclusive right not in what she looks like or who she is, but in what she does for a living.¹⁵

¹²In the words of Sir Isaac Newton, "[i]f I have seen further it is by standing on [the shoulders] of Giants." Letter to Robert Hooke, Feb. 5, 1675/1676.

Newton himself may have borrowed this phrase from Bernard of Chartres, who said something similar in the early twelfth century. Bernard in turn may have snatched it from Priscian, a sixth century grammarian. See *Lotus Dev. Corp. v. Paperback Software Int'l*, 740 F.Supp. 37, 77 n. 3 (D.Mass.1990).

¹³In fact, in the one California case raising the issue, the three state Supreme Court Justices who discussed this theory expressed serious doubts about it. *Guglielmi v. Spelling-Goldberg Prods.*, 25 Cal.3d 860, 864 n. 5, 160 Cal.Rptr. 352, 355 n. 5, 603 P.2d 454, 457 n. 5 (1979) (Bird, C.J., concurring) (expressing skepticism about finding a property right to a celebrity's "personality" because it is "difficult to discern any easily applied definition for this amorphous term").

Neither have we previously interpreted California law to cover pure "identity." *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir.1988), and *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093 (9th Cir.1992), dealt with appropriation of a celebrity's voice. See *id.* at 1100-01 (imitation of singing style, rather than voice, doesn't violate the right of publicity).

Motschenbacher v. R.J. Reynolds Tobacco Co., 498 F.2d 821 (9th Cir.1974), stressed that, though the plaintiff's likeness wasn't directly recognizable by itself, the surrounding circumstances would have made viewers think the likeness was the plaintiff's. *Id.* at 827; see also *Moore v. Regents of the Univ. of Cal.*, 51 Cal.3d 120, 138, 271 Cal.Rptr. 146, 157, 793 P.2d 479, 490 (1990) (construing *Motschenbacher* as "hold [ing] that every person has a proprietary interest in his own likeness").

¹⁴Some viewers might have inferred White was endorsing the product, but that's a different story. The right of publicity isn't aimed at or limited to false endorsements, *Eastwood v. Superior Court*, 149 Cal.App.3d 409, 419-20, 198 Cal.Rptr. 342, 348 (1983); that's what the Lanham Act is for.

Note also that the majority's rule applies even to advertisements that unintentionally remind people of someone. California law is crystal clear that the common-law right of publicity may be violated even by unintentional appropriations. *Id.* at 417 n. 6, 198 Cal.Rptr. at 346 n. 6; *Fairfield v. American Photocopy Equipment Co.*, 138 Cal.App.2d 82, 87, 291 P.2d 194 (1955).

¹⁵Once the right of publicity is extended beyond specific physical characteristics, this will become a recurring problem: Outside name, likeness and voice, the things that most reliably remind the public of celebrities are the actions or roles they're famous for. A commercial with an astronaut setting foot on the moon would evoke the image of Neil Armstrong. Any masked man on horseback would remind people (over a certain age) of Clayton Moore. And any number of songs--"My Way," "Yellow Submarine," "Like a Virgin," "Beat It," "Michael, Row the Boat Ashore," to name only a few--instantly evoke an image of the person or group who made them famous,

This is entirely the wrong place to strike the balance. Intellectual property rights aren't free: They're imposed at the expense of future creators and of the public at large. Where would we be if Charles Lindbergh had an exclusive right in the concept of a heroic solo aviator? If Arthur Conan Doyle had gotten a copyright in the idea of the detective story, or Albert Einstein had patented the theory of relativity? If every author and celebrity had been given the right to keep people from mocking them or their work? Surely this would have made the world poorer, not richer, culturally as well as economically.

This is why intellectual property law is full of careful balances between what's set aside for the owner and what's left in the public domain for the rest of us: The relatively short life of patents; the longer, but finite, life of copyrights; copyright's idea-expression dichotomy; the fair use doctrine; the prohibition on copyrighted facts; the compulsory license of television broadcasts and musical compositions; federal preemption of overbroad state intellectual property laws; the nominative use doctrine in trademark law; the right to make soundalike recordings. All of these diminish an intellectual property owner's rights. All let the public use something created by someone else. But all are necessary to maintain a free environment in which creative genius can flourish.

The intellectual property right created by the panel here has none of these essential limitations: No fair use exception; no right to parody; no idea-expression dichotomy. It impoverishes the public domain, to the detriment of future creators and the public at large. Instead of well-defined, limited characteristics such as name, likeness or voice, advertisers will now have to cope with vague claims of "appropriation of identity," claims often made by people with a wholly exaggerated sense of their own fame and significance. See pp. 1512-13 & notes 1-10 *supra*. Future Vanna Whites might not get the chance to create their personae, because their employers may fear some celebrity will claim the persona is too similar to her own.¹⁶ The public will be robbed of parodies of celebrities, and our culture will be deprived of the valuable safety valve that parody and mockery create.

Moreover, consider the moral dimension, about which the panel majority seems to have gotten so exercised. Saying Samsung "appropriated" something of White's begs the question: Should White have the exclusive right to something as broad and amorphous as her "identity"? Samsung's ad didn't simply copy White's schtick--like all parody, it created something new. True, Samsung did it to make money, but White does whatever she does to make money, too; the majority talks of "the difference between fun and profit," 971 F.2d at 1401, but in the entertainment industry fun is profit. Why is Vanna White's right to exclusive for-profit use of

regardless of who is singing.

See also Carlos V. Lozano, West Loses Lawsuit over Batman TV Commercial, L.A. Times, Jan. 18, 1990, at B3 (Adam West sues over Batman-like character in commercial); Nurmi v. Peterson, 10 U.S.P.Q.2d 1775, 1989 WL 407484 (C.D.Cal.1989) (1950s TV movie hostess "Vampira" sues 1980s TV hostess "Elvira"); text accompanying notes 7-8 (lawsuits brought by Guy Lombardo, claiming big bands playing at New Year's Eve parties remind people of him, and by Uri Geller, claiming psychics who can bend metal remind people of him). Cf. Motschenbacher, where the claim was that viewers would think plaintiff was actually in the commercial, and not merely that the commercial reminded people of him.

¹⁶If Christian Slater, star of "Heathers," "Pump up the Volume," "Kuffs," and "Untamed Heart"--and alleged Jack Nicholson clone--appears in a commercial, can Nicholson sue? Of 54 stories on LEXIS that talk about Christian Slater, 26 talk about Slater's alleged similarities to Nicholson. Apparently it's his nasal wisecracks and killer smiles, St. Petersburg Times, Jan. 10, 1992, at 13, his eyebrows, Ottawa Citizen, Jan. 10, 1992, at E2, his sneers, Boston Globe, July 26, 1991, at 37, his menacing presence, USA Today, June 26, 1991, at 1D, and his sing-song voice, Gannett News Service, Aug. 27, 1990 (or, some say, his insinuating drawl, L.A. Times, Aug. 22, 1990, at F5). That's a whole lot more than White and the robot had in common.

her persona--a persona that might not even be her own creation, but that of a writer, director or producer-- superior to Samsung's right to profit by creating its own inventions? Why should she have such absolute rights to control the conduct of others, unlimited by the idea-expression dichotomy or by the fair use doctrine?

To paraphrase only slightly *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991), it may seem unfair that much of the fruit of a creator's labor may be used by others without compensation. But this is not some unforeseen byproduct of our intellectual property system; it is the system's very essence. Intellectual property law assures authors the right to their original expression, but encourages others to build freely on the ideas that underlie it. This result is neither unfair nor unfortunate: It is the means by which intellectual property law advances the progress of science and art. We give authors certain exclusive rights, but in exchange we get a richer public domain. The majority ignores this wise teaching, and all of us are the poorer for it.

IV

The panel, however, does more than misinterpret California law: By refusing to recognize a parody exception to the right of publicity, the panel directly contradicts the federal Copyright Act. Samsung didn't merely parody Vanna White. It parodied Vanna White appearing in "Wheel of Fortune," a copyrighted television show, and parodies of copyrighted works are governed by federal copyright law. . . .

The majority's decision decimates this federal scheme. It's impossible to parody a movie or a TV show without at the same time "evok[ing]" the "identit[ies]" of the actors. You can't have a mock Star Wars without a mock Luke Skywalker, Han Solo and Princess Leia, which in turn means a mock Mark Hamill, Harrison Ford and Carrie Fisher. You can't have a mock Batman commercial without a mock Batman, which means someone emulating the mannerisms of Adam West or Michael Keaton. . . . The public's right to make a fair use parody and the copyright owner's right to license a derivative work are useless if the parodist is held hostage by every actor whose "identity" he might need to "appropriate." . . .

I can't see how giving White the power to keep others from evoking her image in the public's mind can be squared with the First Amendment. Where does White get this right to control our thoughts? The majority's creation goes way beyond the protection given a trademark or a copyrighted work, or a person's name or likeness. All those things control one particular way of expressing an idea, one way of referring to an object or a person. But not allowing any means of reminding people of someone? That's a speech restriction unparalleled in First Amendment law.

What's more, I doubt even a name-and-likeness-only right of publicity can stand without a parody exception. The First Amendment isn't just about religion or politics--it's also about protecting the free development of our national culture. Parody, humor, irreverence are all vital components of the marketplace of ideas. The last thing we need, the last thing the First Amendment will tolerate, is a law that lets public figures keep people from mocking them, or from "evok[ing]" their images in the mind of the public. 971 F.2d at 1399. . . .

In our pop culture, where salesmanship must be entertaining and entertainment must sell, the line between the commercial and noncommercial has not merely blurred; it has disappeared. Is the Samsung parody any different from a parody on Saturday Night Live or in Spy Magazine? Both are equally profit-motivated. Both use a celebrity's identity to sell things--one to sell VCRs, the other to sell advertising. Both mock their subjects. Both try to make people laugh. Both add something, perhaps something worthwhile and memorable, perhaps not, to our culture.

Both are things that the people being portrayed might dearly want to suppress. See notes 1 & 29 supra... .

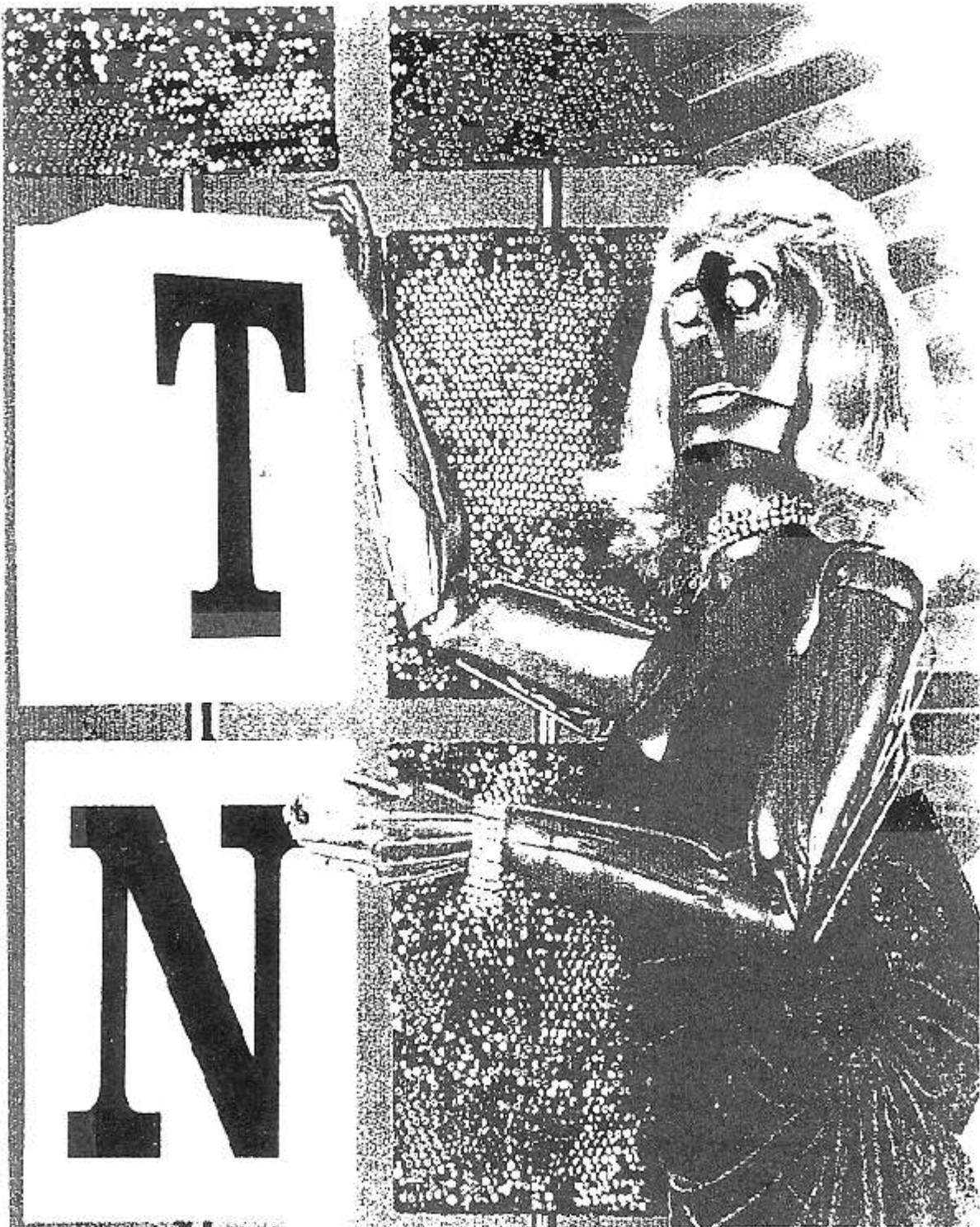
For better or worse, we are the Court of Appeals for the Hollywood Circuit. Millions of people toil in the shadow of the law we make, and much of their livelihood is made possible by the existence of intellectual property rights. But much of their livelihood--and much of the vibrancy of our culture--also depends on the existence of other intangible rights: The right to draw ideas from a rich and varied public domain, and the right to mock, for profit as well as fun, the cultural icons of our time.

In the name of avoiding the "evisceration" of a celebrity's rights in her image, the majority diminishes the rights of copyright holders and the public at large. In the name of fostering creativity, the majority suppresses it. Vanna White and those like her have been given something they never had before, and they've been given it at our expense. I cannot agree.

APPENDIX



Vanna White



Ms. C3PO ?

When an offending portrayal of a celebrity takes place in a magazine article, instead of an advertisement, the celebrity's publicity rights may not always prevail. An example is the following Ninth Circuit decision in a case brought by Dustin Hoffman:

HOFFMAN V. CAPITAL CITIES/ABC, INC.

255 F.3d 1180 (9th Cir. 2001)

BOOCHEVER, Circuit Judge:

In 1982, actor Dustin Hoffman starred in the movie "Tootsie," playing a male actor who dresses as a woman to get a part on a television soap opera. One memorable still photograph from the movie showed Hoffman in character in a red long-sleeved sequined evening dress and high heels, posing in front of an American flag. The still carried the text, "What do you get when you cross a hopelessly straight, starving actor with a dynamite red sequined dress? You get America's hottest new actress."

In March 1997, Los Angeles Magazine ("LAM") published the "Fabulous Hollywood Issue!" An article from this issue entitled "Grand Illusions" used computer technology to alter famous film stills to make it appear that the actors were wearing Spring 1997 fashions. The sixteen familiar scenes included movies and actors such as "North by Northwest" (Cary Grant), "Saturday Night Fever" (John Travolta), "Rear Window" (Grace Kelly and Jimmy Stewart), "Gone with the Wind" (Vivian Leigh and Hattie McDaniel), "Jailhouse Rock" (Elvis Presley), "The Seven Year Itch" (Marilyn Monroe), "Thelma and Louise" (Susan Sarandon and Geena Davis), and even "The Creature from the Black Lagoon" (with the Creature in Nike shoes). The final shot was the "Tootsie" still. The American flag and Hoffman's head remained as they appeared in the original, but Hoffman's body and his long-sleeved red sequined dress were replaced by the body of a male model in the same pose, wearing a spaghetti-strapped, cream-colored, silk evening dress and high-heeled sandals. LAM omitted the original caption. The text on the page identified the still as from the movie "Tootsie," and read, "Dustin Hoffman isn't a drag in a butter-colored silk gown by Richard Tyler and Ralph Lauren heels."

LAM did not ask Hoffman for permission to publish the altered photograph. Nor did LAM secure permission from Columbia Pictures, the copyright holder. . . . [When Hoffman filed suit, the federal district court] found for Hoffman and against LAM on all of Hoffman's claims, rejecting LAM's defense that its use of the photograph was protected by the First Amendment. The court awarded Hoffman \$1,500,000 in compensatory damages, and held that Hoffman was entitled to punitive damages as well. *Hoffman v. Capital Cities/ABC, Inc.*, 33 F.Supp.2d 867 (C.D.Cal.1999). After a hearing, the court awarded Hoffman \$1,500,000 in punitive damages. It also held that ABC was not liable for any of LAM's actions.

Hoffman moved for an award of \$415,755.41 in attorney fees. The district court granted the motion, but reduced the amount to \$269,528.50. . . .

California recognizes, in its common law and its statutes, "the right of a person whose identity has commercial value-most often a celebrity-to control the commercial use of that identity." *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1098 (9th Cir.1992) (as amended). Hoffman claims that LAM violated his state right of publicity by appropriating his name and likeness. . . .

Hoffman alleged, and the district court found, that the altered "Tootsie" photograph and the accompanying text were "false" because they created the impression that Hoffman himself posed for the altered photograph (that is, that Hoffman was wearing the Richard Tyler dress and the Ralph Lauren shoes which replaced the red sequined dress and the shoes Hoffman wore in the original photograph). To show actual malice, Hoffman must demonstrate by clear and

convincing evidence that LAM intended to create the false impression in the minds of its readers that when they saw the altered "Tootsie" photograph they were seeing Hoffman's body. *See id.* It is not enough to show that LAM unknowingly misled readers into thinking Hoffman had actually posed for the altered photograph. . . . The evidence must clearly and convincingly demonstrate that LAM knew (or purposefully avoided knowing) that the photograph would mislead its readers into thinking that the body in the altered photograph was Hoffman's. *See Eastwood*, 123 F.3d at 1256.

The altered photograph retains Hoffman's head and the American flag background from the "Tootsie" still, but grafts onto it a body dressed in different clothing. The body is similar in appearance to Hoffman's in the original. On the page directly facing the altered "Tootsie" photograph the magazine printed small copies of all sixteen original, unaltered stills, including the original "Tootsie" photograph. By providing a point of comparison to the original, this next page made it clear that LAM had altered the film still. This direct comparison does not, however, alert the reader that Hoffman did not participate in the alteration.

We must go beyond the altered photograph itself and examine the "totality of [LAM's] presentation," to determine whether it "would inform the average reader (or the average browser)" that the altered "Tootsie" photograph was not a photograph of Hoffman's body. *See id.* The article is featured on the magazine cover as "The Ultimate Fashion Show Starring Grace Kelly, Marilyn Monroe and Darth Vader." The table of contents describes the "Grand Illusions" article: "By state-of-the-art digital magic, we clothed some of cinema's most enduring icons in fashions by the hottest designers." The accompanying full-page photo is of Humphrey Bogart and Ingrid Bergman as they appeared in "Casablanca," wearing current designer clothing, with a caption stating, "Digital composite by ZZYZX."

A few pages later, the "editor's note" describes the article:

The movie stills in our refashioned fashion spectacular, "Grand Illusions" (page 104) *have* appeared before--in fact, they're some of the most famous images in Hollywood history. But you've never seen them quite like this. Cary Grant, for example, is still ducking that pesky plane in *North by Northwest*, but now he is doing it as a runway model, wearing a suit from Moschino's spring collection.

We know purists will be upset, but who could resist the opportunity to produce a 1997 fashion show with mannequins who have such classic looks?

The Contributors page states: "'With computers,' says Elisabeth Cotter of ZZYZX, 'you can transform anything--even the past.' She proved it by using the latest in computer software to give old movie stars makeovers for 'Grand Illusions.'"

The "Grand Illusions" article itself states on the title page, "With the help of digital magic and today's hottest designers, we present the ultimate Hollywood fashion show--starring Cary Grant, Marilyn Monroe, Rita Hayworth and the Creature from the Black Lagoon. Photographs by Alberto Tolot. Digital Composites by ZZYZX." Each photograph that follows identifies the actor whose "body" is clothed in designer clothing with a reference to the featured film. Representative captions read "Cary Grant is dashing in" (as he runs from the cropduster in "North by Northwest"), "Harold Lloyd looks timely in" (as he hangs from the clock in "Safety Last"), "Marilyn Monroe cools off in" (as she stands on the grate in "The Seven Year Itch"), "Jimmy Stewart likes to watch in" (as he looks at Grace Kelly in "Rear Window"), "Susan Sarandon takes on mankind in" (as she aims a gun in "Thelma and Louise"), and "Judy Garland hits the bricks in" (as she runs through a field in "The Wizard of Oz" with the Cowardly Lion, the Tin Man, and the Scarecrow, "who is stuffed into" a designer suit printed

with bricks). Finally, the "Tootsie" photograph appears, with its caption "Dustin Hoffman isn't a drag in a butter-colored silk gown by Richard Tyler and Ralph Lauren heels," immediately followed by the page showing all the original stills. The only remaining reference to the article is the "shopping guide," which, almost twenty pages later, provides prices and the names of stores carrying some of the clothing featured in the photographs.

We do not believe that the totality of LAM's presentation of the article and the "Tootsie" photograph provides clear and convincing evidence that the editors intended to suggest falsely to the ordinary reader that he or she was seeing Hoffman's body in the altered "Tootsie" photograph. All but one of the references to the article in the magazine make it clear that digital techniques were used to substitute current fashions for the clothes worn in the original stills. Although nowhere does the magazine state that models' bodies were digitally substituted for the actors' bodies, this would be abundantly clear given that the vast majority of the featured actors were deceased. While LAM never explicitly told its readers that the living actors did not pose for the altered photographs in the article, there is certainly no clear and convincing evidence in the magazine itself that LAM intended to suggest the opposite--that it convinced Hoffman (or, for that matter, John Travolta, Elizabeth Taylor, Susan Sarandon, and Geena Davis) to recreate poses from their past roles for this fashion article.

The district court stated that LAM "admitted that it intended to create the false impression in the minds of the public 'that they were seeing Mr. Hoffman's body.'" This is a quotation from a portion of the style editor's testimony, in which she explained that she wanted the male model whose body would appear in the altered "Tootsie" photograph to have Hoffman's body type. She later explained, however, that she did not intend to convey to readers that Hoffman had participated in some way in the article's preparation, and never thought that readers would believe Hoffman posed for the photograph in the new dress. . . .

This single statement, whose meaning is ambiguous in the context of other testimony, the text of the article, and the entire magazine, is not sufficient to strip the magazine of its First Amendment protection. . . .

[W]e must reverse the district court's judgment in Hoffman's favor and the court's award of attorney fees to Hoffman, and direct that judgment be entered for LAM. . . .

The following extensively edited Sixth Circuit Court of Appeals decision considers Tiger Woods' claims to ownership of his image under both trademark and right of publicity law.

ETW Corp. v. Jireh Publishing, Inc.
332 F.3D 915 (6th Cir. 2003)

GRAHAM, District Judge.

Plaintiff-Appellant ETW Corporation ("ETW") is the licensing agent of Eldrick "Tiger" Woods ("Woods"), one of the world's most famous professional golfers. Woods, chairman of the board of ETW, has assigned to it the exclusive right to exploit his name, image, likeness, and signature, and all other publicity rights. ETW owns a United States trademark registration for the mark "TIGER WOODS" (Registration No. 2,194,381) for use in connection with "art prints, calendars, mounted photographs, notebooks, pencils, pens, posters, trading cards, and unmounted photographs."

Defendant-Appellee Jireh Publishing, Inc. ("Jireh") of Tuscaloosa, Alabama, is the publisher of artwork created by Rick Rush ("Rush"). Rush, who refers to himself as "America's sports artist," has created paintings of famous figures in sports and famous sports events. A few examples include Michael Jordan, Mark McGuire, Coach Paul "Bear" Bryant, the Pebble Beach Golf Tournament, and the America's Cup Yacht Race. Jireh has produced and successfully marketed limited edition art prints made from Rush's paintings.

In 1998, Rush created a painting entitled *The Masters of Augusta*, which commemorates Woods's victory at the Masters Tournament in Augusta, Georgia, in 1997. At that event, Woods became the youngest player ever to win the Masters Tournament, while setting a 72-hole record for the tournament and a record 12- stroke margin of victory. In the foreground of Rush's painting are three views of Woods in different poses. In the center, he is completing the swing of a golf club, and on each side he is crouching, lining up and/or observing the progress of a putt. To the left of Woods is his caddy, Mike "Fluff" Cowan, and to his right is his final round partner's caddy. Behind these figures is the Augusta National Clubhouse. In a blue background behind the clubhouse are likenesses of famous golfers of the past looking down on Woods. These include Arnold Palmer, Sam Snead, Ben Hogan, Walter Hagen, Bobby Jones, and Jack Nicklaus. Behind them is the Masters leader board.

The limited edition prints distributed by Jireh consist of an image of Rush's painting which includes Rush's signature at the bottom right hand corner. Beneath the image of the painting, in block letters, is its title, "The Masters Of Augusta." Beneath the title, in block letters of equal height, is the artist's name, "Rick Rush," and beneath the artist's name, in smaller upper and lower case letters, is the legend "Painting America Through Sports."

As sold by Jireh, the limited edition prints are enclosed in a white envelope, accompanied with literature which includes a large photograph of Rush, a description of his art, and a narrative description of the subject painting. On the front of the envelope, Rush's name appears in block letters inside a rectangle, which includes the legend "Painting America Through Sports." Along the bottom is a large reproduction of Rush's signature two inches high and ten inches long. On the back of the envelope, under the flap, are the words "Masters of Augusta" in letters that are three-eights of an inch high, and "Tiger Woods" in letters that are one-fourth of an inch high. Woods's name also appears in the narrative description of the painting where he is mentioned twice in twenty-eight lines of text. The text also includes references to the six other famous golfers depicted in the background of the painting as well as the two caddies. Jireh published and marketed two hundred and fifty 22 1/2 " x 30" serigraphs and five thousand 9" x 11" lithographs of *The Masters of Augusta* at an issuing price of \$700 for the serigraphs and \$100 for the lithographs.

ETW filed suit against Jireh on June 26, 1998, in the United States District Court for the Northern District of Ohio, alleging trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1114; dilution of the mark under the Lanham Act, 15 U.S.C. § 1125(c); unfair competition and false advertising under the Lanham Act, 15 U.S.C. § 1125(a); unfair competition and deceptive trade practices under Ohio Revised Code § 4165.01; unfair competition and trademark infringement under Ohio common law; and violation of Woods's right of publicity under Ohio common law. Jireh counterclaimed, seeking a declaratory judgment that Rush's art prints are protected by the First Amendment and do not violate the Lanham Act. . . .

II. Trademark Claims Based on the Unauthorized Use of the Registered Trademark "Tiger Woods"

. . . ETW claims that Jireh infringed the registered mark "Tiger Woods" by including these words in marketing materials which accompanied the prints of Rush's painting. The words "Tiger Woods" do not appear on the face of the prints, nor are they included in the title of the painting. The words "Tiger Woods" do appear under the flap of the envelopes which contain the prints, and Woods is mentioned twice in the narrative which accompanies the prints.

The Lanham Act provides a defense to an infringement claim where the use of the mark "is a use, otherwise than as a mark, . . . which is descriptive of and used fairly and in good faith only to describe the goods . . . of such party [.]" . . . *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2nd Cir.1995) ("[F]air use permits others to use a protected mark to describe aspects of their own goods [.]"). In evaluating a defendant's fair use defense, a court must consider whether defendant has used the mark: (1) in its descriptive sense; and (2) in good faith. . . .

A celebrity's name may be used in the title of an artistic work so long as there is some artistic relevance. *See Rogers v. Grimaldi*, 875 F.2d 994, 997 (2nd Cir.1989); . . . The use of Woods's name on the back of the envelope containing the print and in the narrative description of the print are purely descriptive and there is nothing to indicate that they were used other than in good faith. The prints, the envelopes which contain them, and the narrative materials which accompany them clearly identify Rush as the source of the print. Woods is mentioned only to describe the content of the print. . . .

III. Trademark Claims . . . Based on the Unauthorized Use of the Likeness of Tiger Woods

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides "a right of action to persons engaged in interstate and foreign commerce, against deceptive and misleading use of words, names, symbols, or devices, or any combination thereof, which have been adopted by a . . . merchant to identify his goods and distinguish them from those manufactured by others[.]" . . .

ETW has registered Woods's name as a trademark, but it has not registered any image or likeness of Woods. . . .

Here, ETW claims protection under the Lanham Act for any and all images of Tiger Woods. This is an untenable claim. ETW asks us, in effect, to constitute Woods himself as a walking, talking trademark. Images and likenesses of Woods are not protectable as a trademark because they do not perform the trademark function of designation. They do not distinguish and identify the source of goods. They cannot function as a trademark because there are undoubtedly thousands of images and likenesses of Woods taken by countless photographers, and drawn, sketched, or painted by numerous artists, which have been published in many forms of media, and sold and distributed throughout the world. No reasonable person could believe that merely because these photographs or paintings contain Woods's likeness or image, they all originated with Woods.

We hold that, as a general rule, a person's image or likeness cannot function as a trademark. . . .

Here, ETW does not claim that a particular photograph of Woods has been consistently used on specific goods. Instead, ETW's claim is identical to that of the plaintiffs in *Pirone*, a sweeping claim to trademark rights in every photograph and image of Woods. Woods, like Ruth, is one of the most photographed sports figures of his generation, but this alone does not suffice to create a trademark claim. . . .

The district court properly granted summary judgment on ETW's claim of trademark rights in all images and likenesses of Tiger Woods.

IV. Lanham Act Unfair Competition and False Endorsement Claims, Ohio Right to Privacy Claims, and the First Amendment Defense

... Jireh has raised the First Amendment as a defense to all of ETW's claims, arguing that Rush's use of Woods's image in his painting is protected expression. . . .

The protection of the First Amendment is not limited to written or spoken words, but includes other mediums of expression, including music, pictures, films, photographs, paintings, drawings, engravings, prints, and sculptures. . . .

Speech is protected even though it is carried in a form that is sold for profit. . . .

[Although e]ven pure commercial speech is entitled to significant First Amendment protection, . . . Rush's prints are not commercial speech. They do not propose a commercial transaction. Accordingly, they are entitled to the full protection of the First Amendment. Thus, we are called upon to decide whether Woods's intellectual property rights must yield to Rush's First Amendment rights.

Lanham Act False Endorsement Claim

... The gist of the false endorsement claim is that the presence of Woods's image in Jireh's print implies that he has endorsed Jireh's product. . . .

False endorsement occurs when a celebrity's identity is connected with a product or service in such a way that consumers are likely to be misled about the celebrity's sponsorship or approval of the product or service.

In the ordinary false endorsement claim, the controlling issue is likelihood of confusion. . . . However, for the reasons discussed below, we conclude that where the defendant has articulated a colorable claim that the use of a celebrity's identity is protected by the First Amendment, the likelihood of confusion test is not appropriate because it fails to adequately consider the interests protected by the First Amendment.

In *Rogers v. Grimaldi*, 875 F.2d 994 (2nd Cir.1989), Ginger Rogers, the surviving member of one of the most famous duos in show business history, brought suit against the producers and distributors of a movie entitled *Ginger and Fred*. The film was not about Ginger Rogers and Fred Astaire, but about two fictional Italian cabaret performers who imitated Rogers and Astaire and became known in Italy as "Ginger and Fred." Rogers asserted claims under § 43(a) of the Lanham Act. The Second Circuit began its analysis by noting that "[m]ovies, plays, books, and songs are all indisputably works of artistic expression and deserve protection." *Id.* at 997. The court concluded that "[b]ecause overextension of Lanham Act restrictions in the area of titles might intrude on First Amendment values, we must construe the Act narrowly to avoid such a conflict. . . . We believe that in general the Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work." *Id.* at 998.

Although Rogers produced some evidence of consumer confusion, the court found: "The survey evidence, even if its validity is assumed, indicates at most that some members of the public would draw the incorrect inference that Rogers had some involvement with the film. But that risk of misunderstanding, not engendered by any overt claim in the title, is so outweighed by the interests in artistic expression as to preclude application of the Lanham Act." *Id.* at 1001. . . .

[B]oth the Second Circuit and the Ninth Circuit have held that in Lanham Act false endorsement cases involving artistic expression, the likelihood of confusion test does not give

sufficient weight to the public interest in free expression. Both courts rejected the "no alternative means" test. They held instead that the Lanham Act should be applied to artistic works only where the public interest in avoiding confusion outweighs the public interest in free expression. They agreed that the public interest in free expression should prevail if the use of the celebrity's image has artistic relevance, unless it is used in such a way that it explicitly misleads as to the source of the work. . . .

Right of Publicity Claim

ETW claims that Jireh's publication and marketing of prints of Rush's painting violates Woods's right of publicity. The right of publicity is an intellectual property right of recent origin which has been defined as the inherent right of every human being to control the commercial use of his or her identity. . . .

The Ohio Supreme Court recognized the right of publicity in 1976 in *Zacchini v. Scripps-Howard Broadcasting Co.*, 47 Ohio St.2d 224, 351 N.E.2d 454 (1976). In *Zacchini*, which involved the videotaping and subsequent rebroadcast on a television news program of plaintiff's human cannonball act, the Ohio Supreme Court held that Zacchini's right of publicity was trumped by the First Amendment. On appeal, the Supreme Court of the United States reversed, holding that the First Amendment did not insulate defendant from liability for violating Zacchini's state law right of publicity where defendant published the plaintiff's entire act. See *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977). *Zacchini* is the only United States Supreme Court decision on the right of publicity. . . .

The current version of the Restatement (Third) Of Unfair Competition [Chapter 4, § 46, in a chapter entitled "Appropriation of Trade Values"] defines the right of publicity as follows:

Appropriation of the Commercial Value of a Person's Identity: The Right of Publicity

One who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade is subject to liability for the relief appropriate under the rules stated in §§ 48 and 49.

In § 46, Comment c, *Rationale for Protection*, the authors of the Restatement suggest that courts may justifiably be reluctant to adopt a broad construction of the right.

The rationales underlying recognition of a right of publicity are generally less compelling than those that justify rights in trademarks or trade secrets. The commercial value of a person's identity often results from success in endeavors such as entertainment or sports that offer their own substantial rewards. Any additional incentive attributable to the right of publicity may have only marginal significance. In other cases the commercial value acquired by a person's identity is largely fortuitous or otherwise unrelated to any investment made by the individual, thus diminishing the weight of the property and unjust enrichment rationales for protection. In addition, the public interest in avoiding false suggestions of endorsement or sponsorship can be pursued through the cause of action for deceptive marketing. Thus, courts may be properly reluctant to adopt a broad construction of the publicity right. See § 47.

In § 47, Comment c, the authors of the Restatement note, "The right of publicity as recognized by statute and common law is fundamentally constrained by the public and constitutional interest in freedom of expression." In the same comment, the authors state that "[t]he use of a person's identity primarily for the purpose of communicating information or expressing ideas is not generally actionable as a violation of the person's right of publicity." Various examples are given, including the use of the person's name or likeness in news reporting

in newspapers and magazines. The Restatement recognizes that this limitation on the right is not confined to news reporting but extends to use in "entertainment and other creative works, including both fiction and non-fiction." *Id.* The authors list examples of protected uses of a celebrity's identity, likeness or image, including unauthorized print or broadcast biographies and novels, plays or motion pictures. *Id.* According to the RESTATEMENT, such uses are not protected, however, if the name or likeness is used solely to attract attention to a work that is not related to the identified person, and the privilege may be lost if the work contains substantial falsifications. *Id.* . . .

There is an inherent tension between the right of publicity and the right of freedom of expression under the First Amendment. This tension becomes particularly acute when the person seeking to enforce the right is a famous actor, athlete, politician, or otherwise famous person whose exploits, activities, accomplishments, and personal life are subject to constant scrutiny and comment in the public media. . . .

We conclude that in deciding whether the sale of Rush's prints violate Woods's right of publicity, we will look to the Ohio case law and the Restatement (Third) of Unfair Competition. In deciding where the line should be drawn between Woods's intellectual property rights and the First Amendment, we find ourselves in agreement with the dissenting judges in *White*, . . . , and the Ninth Circuit's decision in *Hoffman*, and we will follow them in determining whether Rush's work is protected by the First Amendment.

Application of the Law to the Evidence in this Case

The evidence in the record reveals that Rush's work consists of much more than a mere literal likeness of Woods. It is a panorama of Woods's victory at the 1997 Masters Tournament, with all of the trappings of that tournament in full view, including the Augusta clubhouse, the leader board, images of Woods's caddy, and his final round partner's caddy. These elements in themselves are sufficient to bring Rush's work within the protection of the First Amendment. The Masters Tournament is probably the world's most famous golf tournament and Woods's victory in the 1997 tournament was a historic event in the world of sports. A piece of art that portrays a historic sporting event communicates and celebrates the value our culture attaches to such events. It would be ironic indeed if the presence of the image of the victorious athlete would deny the work First Amendment protection. Furthermore, Rush's work includes not only images of Woods and the two caddies, but also carefully crafted likenesses of six past winners of the Masters Tournament: Arnold Palmer, Sam Snead, Ben Hogan, Walter Hagen, Bobby Jones, and Jack Nicklaus, a veritable pantheon of golf's greats. Rush's work conveys the message that Woods himself will someday join that revered group.

Turning first to ETW's Lanham Act false endorsement claim, we agree with the courts that hold that the Lanham Act should be applied to artistic works only where the public interest in avoiding confusion outweighs the public interest in free expression. The *Rogers* test is helpful in striking that balance in the instant case. We find that the presence of Woods's image in Rush's painting *The Masters Of Augusta* does have artistic relevance to the underlying work and that it does not explicitly mislead as to the source of the work. . . . The risk of misunderstanding, not engendered by any explicit indication on the face of the print, is so outweighed by the interest in artistic expression as to preclude application of the Act.

In regard to the Ohio law right of publicity claim, we conclude that Ohio would construe its right of publicity as suggested in the restatement (Third) Of Unfair Competition, Chapter 4, Section 47, Comment d., which articulates a rule analogous to the rule of fair use in copyright law. Under this rule, the substantiality and market effect of the use of the celebrity's image is

analyzed in light of the informational and creative content of the defendant's use. Applying this rule, we conclude that Rush's work has substantial informational and creative content which outweighs any adverse effect on ETW's market and that Rush's work does not violate Woods's right of publicity.

We further find that Rush's work is expression which is entitled to the full protection of the First Amendment and not the more limited protection afforded to commercial speech. When we balance the magnitude of the speech restriction against the interest in protecting Woods's intellectual property right, we . . . [consider] the fact that through their pervasive presence in the media, sports and entertainment celebrities have come to symbolize certain ideas and values in our society and have become a valuable means of expression in our culture.

In balancing these interests against Woods's right of publicity, we note that Woods, like most sports and entertainment celebrities with commercially valuable identities, engages in an activity, professional golf, that in itself generates a significant amount of income which is unrelated to his right of publicity. Even in the absence of his right of publicity, he would still be able to reap substantial financial rewards from authorized appearances and endorsements. It is not at all clear that the appearance of Woods's likeness in artwork prints which display one of his major achievements will reduce the commercial value of his likeness.

While the right of publicity allows celebrities like Woods to enjoy the fruits of their labors, here Rush has added a significant creative component of his own to Woods's identity. Permitting Woods's right of publicity to trump Rush's right of freedom of expression would extinguish Rush's right to profit from his creative enterprise.

After balancing the societal and personal interests embodied in the First Amendment against Woods's property rights, we conclude that the effect of limiting Woods's right of publicity in this case is negligible and significantly outweighed by society's interest in freedom of artistic expression.

Finally, . . . we find that Rush's work does contain significant transformative elements which make it especially worthy of First Amendment protection and also less likely to interfere with the economic interest protected by Woods' right of publicity. . . . Rush's work does not capitalize solely on a literal depiction of Woods. Rather, Rush's work consists of a collage of images in addition to Woods's image which are combined to describe, in artistic form, a historic event in sports history and to convey a message about the significance of Woods's achievement in that event. Because Rush's work has substantial transformative elements, it is entitled to the full protection of the First Amendment. In this case, we find that Woods's right of publicity must yield to the First Amendment.

[The extensive dissenting opinion of Judge Clay is omitted.]



G. Patenting Life

Among the most controversial issues in intellectual property law is the potential for owning patents with regard to living things. The following United States Supreme Court decision held in 1980 that a live, human-made microorganism is patentable subject matter. This decision by a sharply divided court opened the patent system to premit ownership of patent rights to a wide range of new forms of living matter. Read this decision before reading the California Supreme Court's decision in *Moore v. Regents*, beginning on page 79 of the text.

DIAMOND V. CHAKRABARTY 447 U.S. 303, 100 S.Ct. 2204 (1980)

Mr. Chief Justice BURGER delivered the opinion of the Court.

We granted certiorari to determine whether a live, human-made micro-organism is patentable subject matter under 35 U.S.C. § 101.

I

In 1972, respondent Chakrabarty, a microbiologist, filed a patent application, assigned to the General Electric Co. The application asserted 36 claims related to Chakrabarty's invention of "a bacterium from the genus *Pseudomonas* containing therein at least two stable energy-generating plasmids, each of said plasmids providing a separate hydrocarbon degradative pathway."¹ This human-made, genetically engineered bacterium is capable of breaking down multiple components of crude oil. Because of this property, which is possessed by no naturally occurring bacteria, Chakrabarty's invention is believed to have significant value for the treatment of oil spills.²

Chakrabarty's patent claims were of three types: first, process claims for the method of producing the bacteria; second, claims for an inoculum comprised of a carrier material floating on water, such as straw, and the new bacteria; and third, claims to the bacteria themselves. The patent examiner allowed the claims falling into the first two categories, but rejected claims for the bacteria. His decision rested on two grounds: (1) that micro-organisms are "products of nature," and (2) that as living things they are not patentable subject matter under 35 U.S.C. § 101.

¹Plasmids are hereditary units physically separate from the chromosomes of the cell. In prior research, Chakrabarty and an associate discovered that plasmids control the oil degradation abilities of certain bacteria. In particular, the two researchers discovered plasmids capable of degrading camphor and octane, two components of crude oil. In the work represented by the patent application at issue here, Chakrabarty discovered a process by which four different plasmids, capable of degrading four different oil components, could be transferred to and maintained stably in a single *Pseudomonas* bacterium, which itself has no capacity for degrading oil.

²At present, biological control of oil spills requires the use of a mixture of naturally occurring bacteria, each capable of degrading one component of the oil complex. In this way, oil is decomposed into simpler substances which can serve as food for aquatic life. However, for various reasons, only a portion of any such mixed culture survives to attack the oil spill. By breaking down multiple components of oil, Chakrabarty's micro-organism promises more efficient and rapid oil-spill control.

Chakrabarty appealed the rejection of these claims to the Patent Office Board of Appeals, and the Board affirmed the Examiner on the second ground.³ Relying on the legislative history of the 1930 Plant Patent Act, in which Congress extended patent protection to certain asexually reproduced plants, the Board concluded that § 101 was not intended to cover living things such as these laboratory created micro-organisms.

The Court of Customs and Patent Appeals, by a divided vote, reversed on the authority of its prior decision in *In re Bergy*, 563 F.2d 1031, 1038 (1977), which held that "the fact that microorganisms . . . are alive . . . [is] without legal significance" for purposes of the patent law.⁴ Subsequently, we granted the Acting Commissioner of Patents and Trademarks' petition for certiorari, vacated the judgment, and remanded the case "for further consideration in light of *Parker v. Flook*, 437 U.S. 584, [98 S.Ct. 2522, 57 L.Ed.2d 451] (1978)." 438 U.S. 902, 98 S.Ct. 3119, 57 L.Ed.2d 1145 (1978). The Court of Customs and Patent Appeals then vacated its judgment in *Chakrabarty* and consolidated the case with *Bergy* for reconsideration. After re-examining both cases in the light of our holding in *Flook*, that court, with one dissent, reaffirmed its earlier judgments. 596 F.2d 952 (1979).

The Commissioner of Patents and Trademarks again sought certiorari, and we granted the writ as to both *Bergy* and *Chakrabarty*. 444 U.S. 924, 100 S.Ct. 261, 62 L.Ed.2d 180 (1979). Since then, *Bergy* has been dismissed as moot, 444 U.S. 1028, 100 S.Ct. 696, 62 L.Ed.2d 664 (1980), leaving only *Chakrabarty* for decision.

II

The Constitution grants Congress broad power to legislate to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Art. I, § 8, cl. 8. The patent laws promote this progress by offering inventors exclusive rights for a limited period as an incentive for their inventiveness and research efforts. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-481, 94 S.Ct. 1879, 1885-1886, 40 L.Ed.2d 315 (1974); *Universal Oil Co. v. Globe Co.*, 322 U.S. 471, 484, 64 S.Ct. 1110, 1116, 88 L.Ed. 1399 (1944). The authority of Congress is exercised in the hope that "[t]he productive effort thereby fostered will have a positive effect on society through the introduction of new products and processes of manufacture into the economy, and the emanations by way of increased employment and better lives for our citizens." *Kewanee, supra*, 416 U.S., at 480, 94 S.Ct., at 1885-86.

The question before us in this case is a narrow one of statutory interpretation requiring us to construe 35 U.S.C. § 101, which provides:

"Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."

Specifically, we must determine whether respondent's micro-organism constitutes a "manufacture" or "composition of matter" within the meaning of the statute.

III

³The Board concluded that the new bacteria were not "products of nature," because *Pseudomonas* bacteria containing two or more different energy-generating plasmids are not naturally occurring.

⁴*Bergy* involved a patent application for a pure culture of the micro-organism *Streptomyces vellosus* found to be useful in the production of lincomycin, an antibiotic.

In cases of statutory construction we begin, of course, with the language of the statute. . . . We have also cautioned that courts "should not read into the patent laws limitations and conditions which the legislature has not expressed." *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199, 53 S.Ct. 554, 561, 77 L.Ed. 1114 (1933).

Guided by these canons of construction, this Court has read the term "manufacture" in § 101 in accordance with its dictionary definition to mean "the production of articles for use from raw or prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery." *American Fruit Growers, Inc. v. Brogdex Co.*, 283 U.S. 1, 11, 51 S.Ct. 328, 330, 75 L.Ed. 801 (1931). Similarly, "composition of matter" has been construed consistent with its common usage to include "all compositions of two or more substances and . . . all composite articles, whether they be the results of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders or solids." *Shell Development Co. v. Watson*, 149 F.Supp. 279, 280 (D.C.1957). . . . In choosing such expansive terms as "manufacture" and "composition of matter," modified by the comprehensive "any," Congress plainly contemplated that the patent laws would be given wide scope.

The relevant legislative history also supports a broad construction. The Patent Act of 1793, authored by Thomas Jefferson, defined statutory subject matter as "any new and useful art, machine, manufacture, or composition of matter, or any new or useful improvement [thereof]." Act of Feb. 21, 1793, § 1, 1 Stat. 319. The Act embodied Jefferson's philosophy that "ingenuity should receive a liberal encouragement." 5 Writings of Thomas Jefferson 75-76 (Washington ed. 1871). See *Graham v. John Deere Co.*, 383 U.S. 1, 7-10, 86 S.Ct. 684, 688-690, 15 L.Ed.2d 545 (1966). Subsequent patent statutes in 1836, 1870, and 1874 employed this same broad language. In 1952, when the patent laws were recodified, Congress replaced the word "art" with "process," but otherwise left Jefferson's language intact. The Committee Reports accompanying the 1952 Act inform us that Congress intended statutory subject matter to "include anything under the sun that is made by man." S.Rep.No.1979, 82d Cong., 2d Sess., 5 (1952); H.R.Rep.No.1923, 82d Cong., 2d Sess., 6 (1952).

This is not to suggest that § 101 has no limits or that it embraces every discovery. The laws of nature, physical phenomena, and abstract ideas have been held not patentable. See *Parker v. Flook*, 437 U.S. 584, 98 S.Ct. 2522, 57 L.Ed.2d 451 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 67, 93 S.Ct. 253, 255, 34 L.Ed.2d 273 (1972); *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130, 68 S.Ct. 440, 441, 92 L.Ed. 588 (1948); *O'Reilly v. Morse*, 15 How. 62, 112-121, 14 L.Ed. 601 (1854); *Le Roy v. Tatham*, 14 How. 156, 175, 14 L.Ed. 367 (1853). Thus, a new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that E=mc²; nor could Newton have patented the law of gravity. Such discoveries are "manifestations of . . . nature, free to all men and reserved exclusively to none." *Funk, supra*, 333 U.S., at 130, 68 S.Ct., at 441.

Judged in this light, respondent's micro-organism plainly qualifies as patentable subject matter. His claim is not to a hitherto unknown natural phenomenon, but to a nonnaturally occurring manufacture or composition of matter--a product of human ingenuity "having a distinctive name, character [and] use." *Hartranft v. Wiegmann*, 121 U.S. 609, 615, 7 S.Ct. 1240, 1243, 30 L.Ed. 1012 (1887). The point is underscored dramatically by comparison of the invention here with that in *Funk*. There, the patentee had discovered that there existed in nature certain species of root-nodule bacteria which did not exert a mutually inhibitive effect on each other. He used that discovery to produce a mixed culture capable of inoculating the seeds of leguminous plants. Concluding that the patentee had discovered "only some of the handiwork

of nature," the Court ruled the product nonpatentable: Here, by contrast, the patentee has produced a new bacterium with markedly different characteristics from any found in nature and one having the potential for significant utility. His discovery is not nature's handiwork, but his own; accordingly it is patentable subject matter under § 101.

IV

Two contrary arguments are advanced, neither of which we find persuasive.

(A)

The petitioner's first argument rests on the enactment of the 1930 Plant Patent Act, which afforded patent protection to certain asexually reproduced plants, and the 1970 Plant Variety Protection Act, which authorized protection for certain sexually reproduced plants but excluded bacteria from its protection. In the petitioner's view, the passage of these Acts evidences congressional understanding that the terms "manufacture" or "composition of matter" do not include living things; if they did, the petitioner argues, neither Act would have been necessary.

We reject this argument. Prior to 1930, two factors were thought to remove plants from patent protection. The first was the belief that plants, even those artificially bred, were products of nature for purposes of the patent law. This position appears to have derived from the decision of the patent office in *Ex parte Latimer*, 1889 Dec.Com.Pat. 123, in which a patent claim for fiber found in the needle of the *Pinus australis* was rejected. The Commissioner reasoned that a contrary result would permit "patents [to] be obtained upon the trees of the forest and the plants of the earth, which of course would be unreasonable and impossible."

In enacting the Plant Patent Act, Congress addressed both of these concerns. It explained at length its belief that the work of the plant breeder "in aid of nature" was patentable invention. S.Rep.No.315, 71st Cong., 2d Sess., 6-8 (1930); H.R.Rep.No.1129, 71st Cong., 2d Sess., 7-9 (1930). And it relaxed the written description requirement in favor of "a description . . . as complete as is reasonably possible." 35 U.S.C. § 162. No Committee or Member of Congress, however, expressed the broader view, now urged by the petitioner, that the terms "manufacture" or "composition of matter" exclude living things. The sole support for that position in the legislative history of the 1930 Act is found in the conclusory statement of Secretary of Agriculture Hyde, in a letter to the Chairmen of the House and Senate Committees considering the 1930 Act, that "the patent laws . . . at the present time are understood to cover only inventions or discoveries in the field of inanimate nature." See S.Rep.No.315, *supra*, at Appendix A; H.R.Rep.No.1129, *supra*, at Appendix A. Secretary Hyde's opinion, however, is not entitled to controlling weight. His views were solicited on the administration of the new law and not on the scope of patentable subject matter--an area beyond his competence. Moreover, there is language in the House and Senate Committee Reports suggesting that to the extent Congress considered the matter it found the Secretary's dichotomy unpersuasive.

Congress thus recognized that the relevant distinction was not between living and inanimate things, but between products of nature, whether living or not, and human-made inventions. Here, respondent's micro-organism is the result of human ingenuity and research. Hence, the passage of the Plant Patent Act affords the Government no support.

Nor does the passage of the 1970 Plant Variety Protection Act support the Government's position. As the Government acknowledges, sexually reproduced plants were not included under the 1930 Act because new varieties could not be reproduced true-to-type through seedlings. By 1970, however, it was generally recognized that true-to-type reproduction was possible and that plant patent protection was therefore appropriate. The 1970 Act extended

that protection. There is nothing in its language or history to suggest that it was enacted because § 101 did not include living things. . . .

(B)

The petitioner's second argument is that micro-organisms cannot qualify as patentable subject matter until Congress expressly authorizes such protection. His position rests on the fact that genetic technology was unforeseen when Congress enacted § 101. From this it is argued that resolution of the patentability of inventions such as respondent's should be left to Congress. The legislative process, the petitioner argues, is best equipped to weigh the competing economic, social, and scientific considerations involved, and to determine whether living organisms produced by genetic engineering should receive patent protection. In support of this position, the petitioner relies on our recent holding in *Parker v. Flook*, 437 U.S. 584, 98 S.Ct. 2522, 57 L.Ed.2d 451 (1978), and the statement that the judiciary "must proceed cautiously when . . . asked to extend patent rights into areas wholly unforeseen by Congress." *Id.*, at 596, 98 S.Ct. at 2529. . . .

Nothing in *Flook* is to the contrary. That case applied our prior precedents to determine that a "claim for an improved method of calculation, even when tied to a specific end use, is unpatentable subject matter under § 101." 437 U.S., at 595, n. 18, 98 S.Ct., at 2528, n. 18. The Court carefully scrutinized the claim at issue to determine whether it was precluded from patent protection under "the principles underlying the prohibition against patents for 'ideas' or phenomena of nature." *Id.*, at 593, 98 S.Ct. at 2527. We have done that here. *Flook* did not announce a new principle that inventions in areas not contemplated by Congress when the patent laws were enacted are unpatentable *per se*.

To read that concept into *Flook* would frustrate the purposes of the patent law. This Court frequently has observed that a statute is not to be confined to the "particular application[s] . . . contemplated by the legislators." *Barr v. United States*, 324 U.S. 83, 90, 65 S.Ct. 522, 525, 89 L.Ed. 765 (1945). . . . This is especially true in the field of patent law. A rule that unanticipated inventions are without protection would conflict with the core concept of the patent law that anticipation undermines patentability. See *Graham v. John Deere Co.*, 383 U.S., at 12-17, 86 S.Ct., at 691-693. Mr. Justice Douglas reminded that the inventions most benefiting mankind are those that "push back the frontiers of chemistry, physics, and the like." *Great A. & P. Tea Co. v. Supermarket Corp.*, 340 U.S. 147, 154, 71 S.Ct. 127, 131, 95 L.Ed. 162 (1950) (concurring opinion). Congress employed broad general language in drafting § 101 precisely because such inventions are often unforeseeable.

To buttress his argument, the petitioner, with the support of *amicus*, points to grave risks that may be generated by research endeavors such as respondent's. The briefs present a gruesome parade of horrors. Scientists, among them Nobel laureates, are quoted suggesting that genetic research may pose a serious threat to the human race, or, at the very least, that the dangers are far too substantial to permit such research to proceed apace at this time. We are told that genetic research and related technological developments may spread pollution and disease, that it may result in a loss of genetic diversity, and that its practice may tend to depreciate the value of human life. These arguments are forcefully, even passionately, presented; they remind us that, at times, human ingenuity seems unable to control fully the forces it creates--that with Hamlet, it is sometimes better "to bear those ills we have than fly to others that we know not of."

It is argued that this Court should weigh these potential hazards in considering whether respondent's invention is patentable subject matter under § 101. We disagree. The grant or denial of patents on micro- organisms is not likely to put an end to genetic research or to its

attendant risks. The large amount of research that has already occurred when no researcher had sure knowledge that patent protection would be available suggests that legislative or judicial fiat as to patentability will not deter the scientific mind from probing into the unknown any more than Canute could command the tides. Whether respondent's claims are patentable may determine whether research efforts are accelerated by the hope of reward or slowed by want of incentives, but that is all.

What is more important is that we are without competence to entertain these arguments--either to brush them aside as fantasies generated by fear of the unknown, or to act on them. The choice we are urged to make is a matter of high policy for resolution within the legislative process after the kind of investigation, examination, and study that legislative bodies can provide and courts cannot. That process involves the balancing of competing values and interests, which in our democratic system is the business of elected representatives. . . .

We have emphasized in the recent past that "[o]ur individual appraisal of the wisdom or unwisdom of a particular [legislative] course . . . is to be put aside in the process of interpreting a statute." *TVA v. Hill*, 437 U.S., at 194, 98 S.Ct., at 2302. Our task, rather, is the narrow one of determining what Congress meant by the words it used in the statute; once that is done our powers are exhausted. Congress is free to amend § 101 so as to exclude from patent protection organisms produced by genetic engineering. Cf. 42 U.S.C. § 2181(a), exempting from patent protection inventions "useful solely in the utilization of special nuclear material or atomic energy in an atomic weapon." Or it may choose to craft a statute specifically designed for such living things. But, until Congress takes such action, this Court must construe the language of § 101 as it is. The language of that section fairly embraces respondent's invention.

Accordingly, the judgment of the Court of Customs and Patent Appeals is *Affirmed*.

Justices Brennan, White, Marshall and Powell dissented.

A series of decisions following *Chakrabarty* established that human-made animal life was patentable. Among these decisions was *Ex parte Allen* that held that sterile polyploid Pacific oysters were patentable. The United States Patent and Trademark Office (PTO) also issued guidance with regard to the patentability of living organisms. But the PTO carefully excluded living humans from patentable subject matter:

"A claim directed to or including within its scope a human being will not be considered to be patentable subject matter under 35 U.S.C. 101. The grant of a limited, but exclusive property right in a human being is prohibited by the Constitution. Accordingly, it is suggested that any claim directed to a non-plant multicellular organism which would include a human being within its scope include the limitation 'non-human' to avoid this ground of rejection." Patent and Trademark Office "Policy Statement on Patentability of Animals," 1077 OFFICIAL GAZETTE 24 (April 21, 1987).

An accompanying Patent and Trademark Office "Background Paper" further explained, "Although the PTO now considers nonnaturally occurring multicellular living

organisms, including animals, to be patentable subject matter within the scope of [The Patent Act,] 35 USC 101, the issue will arise as to whether a claim directed to or including within its scope a genetically modified human being will be considered to be patentable subject matter. The position of the PTO is that the grant of a limited, but exclusive property right in a human being is prohibited by the Constitution. While the precise Constitutional basis has not been defined, an argument could be based on the 13th Amendment which prohibits involuntary servitude, or perhaps the 4th amendment which includes the right to be protected against unreasonable search and seizure. While there may be other ways to exclude a human being from the scope of a broad claim directed to mammals, for example, one clearly appropriate mechanism would be to use the negative limitation 'non-human' to exclude a human being from the scope of a claim and avoid a rejection under 35 USC 101."

The first patent on a non-naturally occurring animal was U.S. Patent No. 4,736,866 (issued April 12, 1988) for the "Harvard mouse".

Despite the ban on patenting human beings, human genes and other human substances are frequently replicated and gene sequences patented. For example,

- the patent for human erythropoietin litigated in Amgen, Inc. v. Chugai Pharmaceutical Co., 927 F. 2d 1200 (Fed. Cir. 1991), cert. denied sub nom Genetics Institute, Inc. v. Amgen, Inc., 502 U.S. 856 (1991); and
- the patent for human growth hormone, litigated in Bio-Technology General Corp. v. Genentech, Inc., 267 F 3d 1325 (Fed. Cir. 2001).



H. Property in Human Genetic Material

After reading *Moore v. Regents of the University of California*, on pages 79 - 93 of the Deukeminier and Krier text, consider the following three court decisions regarding the difficult issues raised by property claims to human genetic material, known as gametes (sperm, eggs, zygotes and embryos) .

HECHT V. SUPERIOR COURT

16 Cal.App.4th 836, 20 Cal.Rptr.2d 275 (1993), review denied (1993)

[The following is a brief summary of the complicated facts in the case:

Deborah Hecht, age 38, and William Kane, age 48, lived together for about five years before William Kane committed suicide in October 1991. The month before his death, William Kane deposited 15 vials of his sperm in a sperm bank in Los Angeles and directed the sperm bank to store the specimens and to release them to Hecht for the purpose of her bearing his child. William Kane also left a will disposing of his property. The will provided: "I bequeath all right, title, and interest that I may have in any specimens of my sperm stored with any sperm bank or similar facility for storage to Deborah Ellen Hecht." The will also contained a "Statement of Wishes" which explained, "It being my intention that samples of my sperm will be stored at a sperm bank for the use of Deborah Ellen Hecht, should she so desire, it is my wish that, should [Hecht] become impregnated with my sperm," that she should "to the extent that she wishes to preserve any or all of my mementoes and diplomas and the like for our future child or children."

William Kane's two adult children from a previous marriage sought to have their father's stored sperm destroyed to prevent posthumous artificial insemination of Hecht with their father's sperm. In December 1991 Kane's children filed will contests and also entered into a "First Settlement Agreement" with Hecht, under which the two children were each to receive 40% and Hecht was to receive 20% of the net distribution of Kane's estate in excess of \$190,000. In October 1992, after Kane's children had sought to block the release of Kane's stored sperm to Hecht, Kane's children and Hecht came to a "Second Settlement Agreement" that provided for transfer of property from William Kane's estate, including release of the sperm to Hecht and Hecht's agreement to hold Kane's estate harmless against claims or charges made by any child conceived with Kane's sperm. Kane's children later tried to withdraw from this Second Settlement Agreement and eventually persuaded a trial court to issue an order directing that William Kane's stored sperm be destroyed.]

LILLIE, Presiding Justice.

This proceeding presents several matters of first impression involving the disposition of cryogenically-preserved sperm of a deceased. We conclude that the trial court's order constituted an abuse of discretion in the procedural posture of this case which compels us to set aside such order. . . . [W]e conclude that we cannot uphold the trial court's order on the theory urged by real parties [Kane's children], that the trial court's order "was entirely proper under the authority of [Moore v. Regents of University of California (1990) 51 Cal.3d 120, 271 Cal.Rptr.

146, 793 P.2d 479] and Health and Safety Code section 7054.4.⁴ It is self-defeating for real parties [Kane's children] to argue, under the rationale of *Moore*, that decedent had no ownership or possessory interest in his sperm once it left his body, because the sperm then would not constitute part of Kane's estate and the probate court would not have jurisdiction over its disposition.

As we hereinafter explain, the decedent's interest in his frozen sperm vials, even if not governed by the general law of personal property, occupies "an interim category that entitles them to special respect because of their potential for human life" (See *Davis v. Davis* (Tenn.1992) 842 S.W.2d 588, 597), and at the time of his death, decedent had an interest, in the nature of ownership, to the extent that he had decision making authority as to the sperm within the scope of policy set by law. (*Ibid.*) Thus, decedent had an interest in his sperm which falls within the broad definition of property in Probate Code section 62, as "anything that may be the subject of ownership and includes both real and personal property and any interest therein."

II. NATURE OF RIGHTS IN SEMEN

"The present legal position toward property rights in the human body is unsettled and reflects no consistent philosophy or approach. Until recently, the common law either refused to recognize a property right in human bodies or recognized only a quasi-property right.... [The court in *Moore v. Regents of University of California*, supra, 51 Cal.3d 120, 271 Cal.Rptr. 146, 793 P.2d 479] did not resolve the debate over the existence or extent of a property interest in one's body. Nor does the existing statutory scheme quiet the debate. The statutes that address individuals' control over their bodies delineate the extent of that control in specific situations, but do not establish a general principle." (Note, Personalizing Personality: Toward a Property Right in Human Bodies (1990) 69 Tex.L.Rev. 209, 220, fns. omitted.) . . .

Consistent with *Moore*, we conclude that the Legislature did not intend Health and Safety Code section 7054.4 to resolve the issue of the "property" rights retained by the donor of sperm, let alone the issue of insemination with the sperm of a deceased donor. These are issues separate and apart from the issue of the paternity of a child conceived through artificial insemination, which latter issue has been addressed in state statutes modeled after the Uniform Parentage Act,

⁴ Section 7054.4 provides in pertinent part that "Notwithstanding any other provision of law, recognizable anatomical parts, human tissues, anatomical human remains, or infectious waste following conclusion of scientific use shall be disposed of by interment, incineration, or any other method determined by the state department to protect the public health and safety."

In *Moore*, plaintiff alleged that his physician and other defendants used his cells, excised in treatment for hairy-cell leukemia, in potentially lucrative medical research without his permission, eventually establishing and patenting a "cell line" or culture capable of reproducing indefinitely from plaintiff's cells. (51 Cal.3d at p. 127, fn. 2, 271 Cal.Rptr. 146, 793 P.2d 479.) While the court held that plaintiff stated a cause of action against his physician for breach of a fiduciary duty to disclose facts material to the patient's consent or for the performance of medical procedures without first having obtained his informed consent (*id.*, at pp. 128-129, 271 Cal.Rptr. 146, 793 P.2d 479) the court also held that *Moore* did not state a claim for conversion. "Since *Moore* clearly did not expect to retain possession of his cells following their removal, to sue for their conversion he must have retained an ownership interest in them. But there are several reasons to doubt that he did retain any such interest." (51 Cal.3d at pp. 136-137, 271 Cal.Rptr. 146, 793 P.2d 479.)

As will be apparent from the discussion below, *Moore* is distinguishable from the instant case both because of its facts and its procedural posture. Unlike the facts in *Moore*, a contract with the sperm bank purports to evidence decedent's intent and expectation that he would in fact retain control over the sperm following its deposit. Depending upon the resolution of other matters, *Moore* may ultimately be pertinent to the disposition of some or all of Kane's stored sperm; however at this point, the pertinence of *Moore* is speculative as the issue of the actual disposition of decedent's sperm is not before us.

as well as by the courts. (See *People v. Sorensen* (1968) 68 Cal.2d 280, 66 Cal.Rptr. 7, 437 P.2d 495; *C.M. v. C.C.* (1977) 152 N.J.Super. 160, 377 A.2d 821.)

One commentator recently noted that although some sperm banks operate as commercial enterprises, they are virtually free from state licensing and other regulation. (Wadlington, *Artificial Conception: The Challenge for Family Law* (1983) 69 Va.L.Rev. 465, 468.) The various state statutes modeled after the Uniform Parentage Act (see, e.g., Civ.Code, § 7000 et seq.) address the issue of the legal relationship between the sperm donor and the child born by artificial insemination. However, "[n]one of the statutes on artificial insemination indicate who owns the sperm donation, but sperm banks generally require those donors who are to be anonymous to sign a written waiver of any rights to the deposit and any paternity claims to children born from it. In return, the sperm bank guarantees the donor's anonymity. Thus, according to the contract between the parties, the donor no longer 'owns' the sperm. [¶] Men who use sperm banks to store their sperm for their own future use, however, do own their donation(s) of sperm and are required to pay for its maintenance and its later withdrawal. Upon notice of the death of the donor, however, many storage agreements authorize the sperm bank to dispose of the deposit. Requests from the widow of the donor to be inseminated with the sperm, as a matter of practice, are denied absent express instructions in the donor's will or a court order." (Shapiro & Sonnenblick, *The Widow and the Sperm: The Law of Post-Mortem Insemination* (1986) 1 J. Law & Health 229, 243- 244, fn. omitted [discussing the language in the storage agreement used by Idant Laboratory in New York, which permits Idant, upon the death of the donor, to discard the sperm or use it in scientific research, "except that no Specimen will be used, without the Client's written consent, for the purpose of causing pregnancy by means of artificial insemination." (Id., at p. 243, fn. 115)].)

The American Fertility Society, in its Ethical Statement on in vitro fertilization, has written that "It is understood that the gametes and concepti are the property of the donors. The donors therefore have the right to decide at their sole discretion the disposition of these items, provided such disposition is within medical and ethical guidelines...." (*York v. Jones* (E.D.Va.1989) 717 F.Supp. 421, 426, fn. 5, citing Ethics Com. of the Am. Fertility Society, *Ethical Considerations of the New Reproductive Technologies* (1986) 46 Fertility and Sterility 89s.)

Although *Davis v. Davis*, supra, 842 S.W.2d 588, involved the disposition of frozen preembryos (four-to-eight-celled entities)⁵ of a married couple who had attempted to bear a child through in vitro fertilization but divorced before they could do so, the court's discussion of the

⁵ According to the scientific testimony in Davis, the process of fertilization of the egg with the sperm results in a one-cell zygote which contains a new hereditary constitution (genome) contributed to by both parents through the union of sperm and egg; the stage subsequent to the zygote is cleavage, during which the single cell undergoes successive equal divisions with little or no intervening growth; the resulting cells, (blastomeres) become smaller, while the size of the total aggregate of cells remains the same; after three such divisions, the aggregate contains eight cells in relatively loose association; each blastomere, if separated from the others, has the potential to develop into a complete adult; " [s]tated another way, at the 8-cell stage, the developmental singleness of one person has not been established.' " (842 S.W.2d at p. 593.)

"Today, under federal law and all state statutory law except Louisiana, embryos [created by in vitro fertilization] do not possess rights or have legal status. In Louisiana, embryos have been given rights and limits have been imposed on how embryos may be treated." (Poole, *Allocation of Decision-Making Rights to Frozen Embryos* (1990) 4 Amer.J. of Fam.Law 67, 84-85.) The Louisiana statute defines "human embryo" as "an in vitro fertilized human ovum" and prohibits its destruction unless it fails to develop further over a 36 hour period, except when the embryo is in a state of cryopreservation. (Id., at pp. 78-79.) In Poole's opinion, the Louisiana statute may be unconstitutional under federal law because "it infringes on individual's right of procreative choice at a stage where the state has no compelling interest in the embryo." (Id. at p. 85.)

legal status of preembryos is informative. For various reasons, not pertinent to our discussion, the Supreme Court of Tennessee concluded that the preembryos could not be considered "persons" under Tennessee law. The court also refused to characterize the interest of the Davises in the preembryos as a property interest under general property law; rather they "occupy an interim category that entitles them to special respect because of their potential for human life. It follows that any interest that Mary Sue Davis and Junior Davis have in the preembryos in this case is not a true property interest. However, they do have an interest in the nature of ownership, to the extent that they have decision-making authority concerning disposition of the preembryos, within the scope of policy set by law." (842 S.W.2d at p. 597.)

The court in *Davis* found persuasive a report of the Ethics Committee of The American Fertility Society, which identified three major ethical positions that have been articulated in the debate over preembryo status. At one extreme is the view that the preembryo is a human subject after fertilization, which requires that it be accorded the rights of a person; the opposite extreme is the view that the preembryo has a status no different from any other human tissue; a third view, "one that is most widely held--takes an intermediate position between the other two. It holds that the preembryo deserves respect greater than that accorded to human tissue but not the respect accorded to actual persons. The preembryo is due greater respect than other human tissue because of its potential to become a person and because of its symbolic meaning for many people. Yet, it should not be treated as a person, because it has not yet developed the features of personhood, is not yet established as developmentally individual, and may never realize its biologic potential.' " (*Davis v. Davis*, supra, 842 S.W.2d at p. 596.)

The *Davis* court also notes that The American Fertility Society suggests that "Within the limits set by institutional policies, decision-making authority regarding preembryos should reside with the persons who have provided the gametes.... As a matter of law, it is reasonable to assume that the gamete providers have primary decision-making authority regarding preembryos in the absence of specific legislation on the subject. A person's liberty to procreate or to avoid procreation is directly involved in most decisions involving preembryos.' " (842 S.W.2d at p. 597.)

Sperm which is stored by its provider with the intent that it be used for artificial insemination is thus unlike other human tissue because it is "gametic material" (*Davis v. Davis*, supra, 842 S.W.2d 588, 597) that can be used for reproduction. Although it has not yet been joined with an egg to form a preembryo, as in *Davis*, the value of sperm lies in its potential to create a child after fertilization, growth, and birth. We conclude that at the time of his death, decedent had an interest, in the nature of ownership, to the extent that he had decision making authority as to the use of his sperm for reproduction. Such interest is sufficient to constitute "property" within the meaning of Probate Code section 62. Accordingly, the probate court had jurisdiction with respect to the vials of sperm. . . .

We now address the propriety of the trial court's order that the sperm be destroyed. In order to do so, we examine several theories proffered by the parties to explain or uphold the trial court's order.

In this case, the trial court could not have properly ordered the sperm destroyed by applying the provisions of the will; Hecht is not only the residual beneficiary specified therein, but the will evidences the decedent's intent that Hecht, should she so desire, is to receive his sperm stored in the sperm bank to bear his child posthumously. Moreover, there is no indication that the trial court itself purported to apply the terms of the will or was adjudicating the issue of the validity of the will. There is also no indication in our record that the trial court's order was based upon a theory [that] the will was invalid or subject to revocation. Although real parties'

[Kane's children's] answer to the instant petition asserts affirmative defenses that the will and the sperm bank contract are invalid on the grounds that decedent was of unsound mind, subject to Hecht's undue influence, and that decedent lacked testamentary and legal capacity at the time of execution of those documents, our record contains no evidentiary hearing as to these allegations and the order cannot be upheld on these grounds. . . .

Real parties [Kane's children] attempt to justify the order as premised upon the theory that even if decedent had sufficient right of possession or ownership of the sperm so as to bring it within the jurisdiction of the probate court, his assumed intended use or disposition of the sperm--artificial insemination of Hecht--is invalid on two purported public policy grounds: (1) public policy forbids the artificial insemination of an unmarried woman, and (2) public policy forbids artificial insemination of Hecht with the stored sperm of a deceased man. . . .

We thus conclude that real parties fail to establish with any pertinent authority that the public policy of California prohibits the artificial insemination of Hecht because of her status as an unmarried women.

IV. POST-MORTEM ARTIFICIAL INSEMINATION

We are aware of only one other court which has addressed the issue of the right of a woman to the sperm of a decedent. In 1984, in *Parpalaix v. CECOS*, the French Tribunaux de grande instance ordered CECOS, a government run sperm bank in a Paris suburb, to return stored sperm of a decedent to a doctor chosen by his surviving wife. [The French court ordered release of the deceased husband's sperm to his widow; but she did not become pregnant.]

. . . [Kane's children] argue that "this court should adopt a state policy against posthumous conception," because it is "in truth, the creation of orphaned children by artificial means with state authorization," a result which they characterize as "tragic." However, real parties do not cite any authority establishing the propriety of this court, or any court, to make the value judgment as to whether it is better for such a potential child not to be born, assuming that both gamete providers wish to conceive the child. In other words, assuming that both Hecht and decedent desired to conceive a child using decedent's sperm, real parties fail to establish a state interest sufficient to justify interference with that decision. As in Tennessee, we are aware of no statutes in California which contain a "statement of public policy which reveals an interest that could justify infringing on gamete-providers' decisional authority...." (*Davis v. Davis*, supra, 842 S.W.2d 588, 602.)

We also disagree with real parties' claim that any order other than destruction of the sperm is tantamount to "state authorization" of posthumous conception of children, i.e., the creation of a public policy in favor of such conception. In such a case, the state is simply acknowledging that "no other person or entity has an interest sufficient to permit interference with the gamete-providers' decision . . . because no one else bears the consequences of these decisions in the way that the gamete-providers do." (*Davis v. Davis*, supra, 842 S.W.2d at p. 602.)

Citing *Davis*, real parties also urge this court to uphold the trial court's order on the ground that Hecht "can easily procreate by a variety of other means," and she "cannot bear a child using [decedent's] sperm without encroaching upon the family integrity of [decedent's] existing children." As pointed out above, our record is inadequate to address the issue of real parties' "family integrity."

As to the issue of whether Hecht has other means to bear a child, the issue is a factual one which our record fails to address. Moreover, it must be pointed out that the court in *Davis* was

called upon to resolve a dispute involving the disposition of preembryos where the gamete-providers disagreed as to their disposition and where there was no written agreement of the parties or state statute governing such disposition. Under those circumstances, the court held as follows: "[W]e hold that disputes involving the disposition of preembryos produced by in vitro fertilization should be resolved, first, by looking to the preferences of the progenitors. If their wishes cannot be ascertained, or if there is dispute, then their prior agreement concerning disposition should be carried out. If no prior agreement exists, then the relative interests of the parties in using or not using the preembryos must be weighed. Ordinarily, the party wishing to avoid procreation should prevail, assuming that the other party has a reasonable possibility of achieving parenthood by means other than use of the preembryos in question. If no other reasonable alternatives exist, then the argument in favor of using the preembryos to achieve pregnancy should be considered. However, if the party seeking control of the preembryos intends merely to donate them to another couple, the objecting party obviously has the greater interest and should prevail." (*Davis v. Davis*, supra, 842 S.W.2d 588, 604.)

Given the procedural posture of this case, and the fact that, for purposes of addressing real parties' [Kane's children's] arguments, we are assuming that decedent intended to allow Hecht to use his sperm for posthumous artificial insemination, it is premature for us to apply the *Davis* test. At this point, the only issue which we address is whether artificial insemination with the sperm of a decedent violates public policy. There is nothing in *Davis* which indicates that such artificial insemination violates public policy.

Real parties [Kane's children] also intimate that the birth of a child by Hecht using decedent's sperm will create psychological burdens on them, decedent's surviving adult children, as well as financial burdens on society and on the estate.

In light of the UPA [Uniform Parentage Act] and Probate Code sections 6407 and 6408, (ante, fn. 8), it is unlikely that the estate would be subject to claims with respect to any such children. If the Second Settlement Agreement is enforceable against Hecht, the estate may also be protected from any claims with respect to such children.

The interest of heirs and courts in the finality of probate rulings was recognized by the committee which drafted the Uniform Status of Children of Assisted Conception Act, which has been adopted in various forms in North Dakota and Virginia. Section 4 of that Act provides in pertinent part that "[Except as otherwise provided in Sections 5 through 9:] ... (b) An individual who dies before implantation of an embryo, or before a child is conceived other than through sexual intercourse, using the individual's egg or sperm, is not a parent of the resulting child." The exceptions, dealing with surrogacy agreements, are not pertinent here.

The Committee Comment states that "Subsection 4(b) is designed to provide finality for the determination of parenthood of those whose genetic material is utilized in the procreation process after their death. The death of the person whose genetic material is either used in conceiving an embryo or in implanting an already existing embryo into a womb would end the potential parenthood of the deceased.... [¶] ... It is designed primarily to avoid the problems of intestate succession which could arise if the posthumous use of a person's genetic material could lead to the deceased being termed a parent. Of course, those who want to explicitly provide for such children in their wills may do so." (9B West's U. Laws Ann. (1987) U. Status of Children of Assisted Conception Act (1988 Act; 1993 Pocket Supp.) Committee Com. pp. 140-141.) The result in section 4(b) of the Uniform Status of Children of Assisted Conception Act appears to be consistent with application of Civil Code section 7005 and Probate Code sections 6407 and 6408 to the instant circumstances. (Ante, fn. 8.) . . .

Decedent's adult children also fail to provide any legal or factual basis to support their contention that the birth of a child through the artificial insemination of Hecht with decedent's sperm implicates their "fundamental right to protection of their family integrity," and thus their psychological well-being.

At this point, it is also entirely speculative as to whether any child born to Hecht using decedent's sperm will be a burden on society. . . .

As recently stated by our Supreme Court in a case involving a surrogacy contract: "It is not the role of the judiciary to inhibit the use of reproductive technology when the Legislature has not seen fit to do so; any such effort would raise serious questions in light of the fundamental nature of the rights of procreation and privacy." (*Johnson v. Calvert* (1993) 5 Cal.4th 84, 101, 19 Cal.Rptr.2d 494, 851 P.2d 776.)

For the foregoing reasons we conclude that the trial court abused its discretion in ordering decedent's sperm destroyed.

JOHNSON and FRED WOODS, JJ., concur.

Postscript: In 1996, Hecht again returned to court to gain access to all of the stored vials of William Kane's sperm. In an unpublished opinion, the District Court of Appeal again ordered that all of Kane's sperm be released to Hecht on the grounds that the sperm was not an asset of William Kane's estate subject to division in the settlement agreements.

Once egg and sperm are joined in forming zygotes, and eventually embryos, the law has great difficulty in dealing with such things as ordinary property. The following two decisions are among many that have struggled with this issue.

KASS V. KASS
91 N.Y.2d 554, 696 N.E.2d 174, 673 N.Y.S.2d 350
Court of Appeals of New York (1998)

KAYE, Chief Judge:

Although in vitro fertilization (IVF) procedures are now more than two decades old and in wide use, this is the first such dispute to reach our Court. Specifically in issue is the disposition of five frozen, stored pre-embryos, or "pre-zygotes,"¹ created five years ago, during the parties' marriage, to assist them in having a child. Now divorced, appellant (Maureen Kass) wants the pre-zygotes implanted, claiming this is her only chance for genetic motherhood; respondent (Steven Kass) objects to the burdens of unwanted fatherhood, claiming that the parties agreed at the time they embarked on the effort that in the present circumstances the pre-zygotes would be donated to the IVF program for approved research purposes. . . . [W]e conclude that the parties' agreement providing for donation to the IVF program controls. . . .

¹We use the parties' term "pre-zygotes," which are defined in the record as "eggs which have been penetrated by sperm but have not yet joined genetic material."

Facts

Appellant and respondent were married on July 4, 1988, and almost immediately began trying to conceive a child. While appellant believed that, owing to prenatal exposure to diethylstilbestrol (DES) she might have difficulty carrying a pregnancy to term, her condition in fact was more serious--she failed to become pregnant. In August 1989, the couple turned to John T. Mather Memorial Hospital in Port Jefferson, Long Island and, after unsuccessful efforts to conceive through artificial insemination, enrolled in the hospital's IVF program.

Typically, the IVF procedure begins with hormonal stimulation of a woman's ovaries to produce multiple eggs. The eggs are then removed by laparoscopy or ultrasound-directed needle aspiration and placed in a glass dish, where sperm are introduced. Once a sperm cell fertilizes the egg, this fusion--or pre-zygote--divides until it reaches the four-to eight-cell stage, after which several pre-zygotes are transferred to the woman's uterus by a cervical catheter. If the procedure succeeds, an embryo will attach itself to the uterine wall, differentiate and develop into a fetus. As an alternative to immediate implantation, pre-zygotes may be cryopreserved indefinitely in liquid nitrogen for later use. Cryopreservation serves to reduce both medical and physical costs because eggs do not have to be retrieved with each attempted implantation, and delay may actually improve the chances of pregnancy. At the same time, the preservation of "extra" pre-zygotes--those not immediately implanted--allows for later disagreements, as occurred here.

Beginning in March 1990, appellant underwent the egg retrieval process five times and fertilized eggs were transferred to her nine times. She became pregnant twice--once in October 1991, ending in a miscarriage and again a few months later, when an ectopic pregnancy had to be surgically terminated.

Before the final procedure, for the first time involving cryopreservation, the couple on May 12, 1993 signed four consent forms provided by the hospital. . . .

On May 20, 1993, doctors retrieved 16 eggs from appellant, resulting in nine pre-zygotes. Two days later, four were transferred to appellant's sister, who had volunteered to be a surrogate mother, and the remaining five were cryopreserved. The couple learned shortly thereafter that the results were negative and that appellant's sister was no longer willing to participate in the program. They then decided to dissolve their marriage. The total cost of their IVF efforts exceeded \$75,000.

With divorce imminent, the parties themselves on June 7, 1993--barely three weeks after signing the consents--drew up and signed an "uncontested divorce" agreement, typed by appellant, including the following:

"The disposition of the frozen 5 pre-zygotes at Mather Hospital is that they should be disposed of [in] the manner outlined in our consent form and that neither Maureen Kass[,] Steve Kass or anyone else will lay claim to custody of these pre-zygotes."

On June 28, 1993, appellant by letter informed the hospital and her IVF physician of her marital problems and expressed her opposition to destruction or release of the pre-zygotes.

One month later, appellant commenced the present matrimonial action, requesting sole custody of the pre-zygotes so that she could undergo another implantation procedure. Respondent opposed removal of the pre-zygotes and any further attempts by appellant to achieve pregnancy, and counterclaimed for specific performance of the parties' agreement to permit the IVF program to retain the pre-zygotes for research, as specified in [the IVF consent form]. . . .

[The trial court, which in New York is called the] Supreme Court granted appellant custody of the pre-zygotes and directed her to exercise her right to implant them within a

medically reasonable time. The court reasoned that a female participant in the IVF procedure has exclusive decisional authority over the fertilized eggs created through that process, just as a pregnant woman has exclusive decisional authority over a nonviable fetus, and that appellant had not waived her right either in the May 12, 1993 consents or in the June 7, 1993 "uncontested divorce" agreement. . . . [The Court of Appeals reversed on the grounds that] the parties clearly expressed their intent that in the circumstances presented the pre-zygotes would be donated to the IVF program for research purposes.

Analysis

A. The Legal Landscape Generally. We begin analysis with a brief description of the broader legal context of this dispute. In the past two decades, thousands of children have been born through IVF, the best known of several methods of assisted reproduction. Additionally, tens of thousands of frozen embryos annually are routinely stored in liquid nitrogen canisters, some having been in that state for more than ten years with no instructions for their use or disposal (see, New York State Task Force on Life and the Law, Assisted Reproductive Technologies: Analysis and Recommendations for Public Policy [April 1998], at 289 ["Assisted Reproductive Technologies "]; Caplan, Due Consideration: Controversy in the Age of Medical Miracles 63 [1998]). As science races ahead, it leaves in its trail mind-numbing ethical and legal questions (see generally, Robertson, Children of Choice: Freedom and the New Reproductive Technologies [1994] ["Children of Choice"]).

The law, whether statutory or decisional, has been evolving more slowly and cautiously. A handful of states--New York not among them--have adopted statutes touching on the disposition of stored embryos (see, e.g., Fla Stat Ann § 742.17 [West 1997] [couples must execute written agreement providing for disposition in event of death, divorce or other unforeseen circumstances]; NH Rev Stat Ann § 168-B:13-15, 18 [Supp 1992] [couples must undergo medical exams and counseling; 14-day limit for maintenance of ex utero pre- zygotes]; La Rev Stat Ann § 9:121-133 [West 1991] [pre-zygote considered "juridical person" that must be implanted].²

In the case law, only Davis v. Davis (842 S.W.2d 588, 604 [Tenn 1992], cert denied sub nom. Stowe v. Davis, 507 U.S. 911) attempts to lay out an analytical framework for disputes between a divorcing couple regarding the disposition of frozen embryos (see also, York v. Jones, 717 F Supp 421 [ED Va]; Del Zio v. Columbia Presbyt. Hosp., No. 74 Civ. 3588, slip op. [SDNY April 12, 1978]; AZ v. BZ, slip op. [Mass Prob Ct March 25, 1996] [no docket number]). Having declared that embryos are entitled to "special respect because of their potential for human life" (842 S.W.2d at 597, *supra*), Davis recognized the procreative autonomy of both gamete providers, which includes an interest in avoiding genetic parenthood as well as an interest in becoming a genetic parent. In the absence of any prior written agreement between the parties--which should be presumed valid, and implemented--according to Davis, courts must in every case balance these competing interests, each deserving of judicial respect. In Davis itself, that balance weighed in favor of the husband's interest in avoiding genetic parenthood, which was deemed more significant than the wife's desire to donate the embryos to a childless couple.

²Recently, the New York Task Force on Life and the Law issued a comprehensive report, "Assisted Reproductive Technologies," together with recommendations for regulation. The report, following two years of study by the full Task Force, addresses a wide range of relevant subjects, such as the commercial aspects of what has become a sizable business, and impacts on children born of assisted reproductive technologies (see also, 1997-1998 N.Y. Senate Bill S 5815 [Nov 24, 1997] [requiring that couples specify in writing how embryos are to be disposed of before a facility can accept them for storage]).

Although statutory and decisional law are sparse, abundant commentary offers a window on the issues ahead, particularly suggesting various approaches to the issue of disposition of pre-zygotes. Some commentators would vest control in one of the two gamete providers (see, e.g., Poole, Allocation of Decision-Making Rights to Frozen Embryos, 4 Am J Fam L 67 [1990] [pre-zygotes to party wishing to avoid procreation]; Andrews, The Legal Status of the Embryo, 32 Loy L Rev 357 [1986] [woman retains authority when she desires to implant]). Others would imply a contract to procreate from participation in an IVF program (see, e.g., Note, Davis v Davis: What About Future Disputes?, 26 Conn L Rev 305 [1993]; Comment, Frozen Embryos: Towards An Equitable Solution, 46 U Miami L Rev 803 [1992]).

Yet a third approach is to regard the progenitors as holding a "bundle of rights" in relation to the pre-zygote that can be exercised through joint disposition agreements (see, Robertson, Prior Agreements for Disposition of Frozen Embryos, 51 Ohio St L Rev 407 [1990] ["Prior Agreements"]); Robertson, In the Beginning: The Legal Status of Early Embryos, 76 Va L Rev 437 [1990] ["Early Embryos"]). The most recent view--a "default rule"--articulated in the report of the New York State Task Force on Life and the Law, is that, while gamete bank regulations should require specific instructions regarding disposition, no embryo should be implanted, destroyed or used in research over the objection of an individual with decision-making authority (see, Assisted Reproductive Technologies, at 317-320, *supra*).

Proliferating cases regarding the disposition of embryos, as well as other assisted reproduction issues, will unquestionably spark further progression of the law. What is plain, however, is the need for clear, consistent principles to guide parties in protecting their interests and resolving their disputes, and the need for particular care in fashioning such principles as issues are better defined and appreciated. Against that backdrop we turn to the present appeal.

B. The Appeal Before Us. . . . [W]e conclude that disposition of these pre-zygotes does not implicate a woman's right of privacy or bodily integrity in the area of reproductive choice; nor are the pre-zygotes recognized as "persons" for constitutional purposes (see, Roe v. Wade, 410 U.S. 113, 162; Byrn v New York City Health & Hosps. Corp., 31 N.Y.2d 194, 203, appeal dismd 410 U.S. 949). The relevant inquiry thus becomes who has dispositional authority over them. Because that question is answered in this case by the parties' agreement, for purposes of resolving the present appeal we have no cause to decide whether the pre-zygotes are entitled to "special respect" (cf., Davis v. Davis, 842 S.W.2d 588, 596-597, *supra*; see also, Ethics Comm. of the Am. Fertility Soc'y, Ethical Considerations of the New Reproductive Technologies, 46 Fertility & Sterility 1S, 32S [Supp. 1 1986]).³

Agreements between progenitors, or gamete donors, regarding disposition of their pre-zygotes should generally be presumed valid and binding, and enforced in any dispute between them (see, Davis v. Davis, 842 S.W.2d at 597, *supra*; see also, Early Embryos, 76 Va L Rev at 463-469, *supra*). Indeed, parties should be encouraged in advance, before embarking on IVF and cryopreservation, to think through possible contingencies and carefully specify their wishes in writing. Explicit agreements avoid costly litigation in business transactions; they are all the more necessary and desirable in personal matters of reproductive choice, where the intangible

³Parties' agreements may, of course, be unenforceable as violative of public policy (see, e.g., Domestic Relations Law § 121 et seq. [declaring surrogate parenting contracts contrary to policy, void and unenforceable]; Scheinkman, Practice Commentaries, McKinney's Cons Laws of NY, Book 14, Domestic Relations Law § 122, 1998 Pocket Part, at 255 ["commercial surrogacy arrangements involve a form of procreation for profit, if not prostitution"]). Significantly changed circumstances also may preclude contract enforcement. Here, however, appellant does not urge that the consents violate public policy, or that they are legally unenforceable by reason of significantly changed circumstances.

costs of any litigation are simply incalculable. Advance directives, subject to mutual change of mind that must be jointly expressed, both minimize misunderstandings and maximize procreative liberty by reserving to the progenitors the authority to make what is in the first instance a quintessentially personal, private decision. Written agreements also provide the certainty needed for effective operation of IVF programs (see, *Prior Agreements*, 51 Ohio St L Rev at 414-418, *supra*; see also, *Children of Choice*, 107, 113, *supra*).

While the value of arriving at explicit agreements is apparent, we also recognize the extraordinary difficulty such an exercise presents. All agreements looking to the future to some extent deal with the unknown. Here, however, the uncertainties inherent in the IVF process itself are vastly complicated by cryopreservation, which extends the viability of pre-zygotes indefinitely and allows time for minds, and circumstances, to change. Divorce; death, disappearance or incapacity of one or both partners; aging; the birth of other children are but a sampling of obvious changes in individual circumstances that might take place over time.

These factors make it particularly important that courts seek to honor the parties' expressions of choice, made before disputes erupt, with the parties' overall direction always uppermost in the analysis. Knowing that advance agreements will be enforced underscores the seriousness and integrity of the consent process; advance agreements as to disposition would have little purpose if they were enforceable only in the event the parties continued to agree. To the extent possible, it should be the progenitors--not the State and not the courts--who by their prior directive make this deeply personal life choice.

Here, the parties prior to cryopreservation of the pre-zygotes signed consents indicating their dispositional intent. While these documents were technically provided by the IVF program, neither party disputes that they are an expression of their own intent regarding disposition of their pre-zygotes. Nor do the parties contest the legality of those agreements, or that they were freely and knowingly made. The central issue is whether the consents clearly express the parties' intent regarding disposition of the pre-zygotes in the present circumstances. Appellant claims the consents are fraught with ambiguity in this respect; respondent urges they plainly mandate transfer to the IVF program.

The subject of this dispute may be novel but the common law principles governing contract interpretation are not. Whether an agreement is ambiguous is a question of law for the courts (see, *Van Wagner Adv. Corp. v. S & M Enters.*, 67 N.Y.2d 186, 191). Ambiguity is determined by looking within the four corners of the document, not to outside sources (see, *W.W.W. Assocs. v. Giancontieri*, 77 N.Y.2d 157, 162-163). And in deciding whether an agreement is ambiguous courts

"should examine the entire contract and consider the relation of the parties and the circumstances under which it was executed. Particular words should be considered, not as if isolated from the context, but in light of the obligation as a whole and the intention of the parties as manifested thereby. Form should not prevail over substance and a sensible meaning of words should be sought" (*William C. Atwater & Co., Inc. v Panama R.R. Co.*, 246 N.Y. 519, 524).

Where the document makes clear the parties' overall intention, courts examining isolated provisions "should then choose that construction which will carry out the plain purpose and object of the [agreement]" (*Williams Press, Inc. v. State of New York*, 37 N.Y.2d 434, 440, quoting *Empire Props. Corp. v. Manufacturers Trust Co.*, 288 N.Y. 242, 248-249).

Applying those principles, we agree that the informed consents signed by the parties unequivocally manifest their mutual intention that in the present circumstances the pre-zygotes be donated for research to the IVF program.

The conclusion that emerges most strikingly from reviewing these consents as a whole is that appellant and respondent intended that disposition of the pre- zygotes was to be their joint decision. The consents manifest that what they above all did not want was a stranger taking that decision out of their hands. Even in unforeseen circumstances, even if they were unavailable, even if they were dead, the consents jointly specified the disposition that would be made.

That sentiment explicitly appears again and again throughout the lengthy documents. Words of shared understanding--"we," "us" and "our"--permeate the pages. The overriding choice of these parties could not be plainer: "We have the principal responsibility to decide the disposition of our frozen pre- zygotes. Our frozen pre-zygotes will not be released from storage for any purpose without the written consent of both of us, consistent with the policies of the IVF Program and applicable law" (emphasis added).

That pervasive sentiment--both parties assuming "principal responsibility to decide the disposition of [their] frozen pre-zygotes"--is carried forward in . . . [the IVF consent form]: "In the event that we * * * are unable to make a decision regarding disposition of our stored, frozen pre-zygotes, we now indicate our desire for the disposition of our pre-zygotes and direct the IVF Program to: * * * "Our frozen pre-zygotes may be examined by the IVF Program for biological studies and be disposed of by the IVF Program for approved research investigation as determined by the IVF Program."

Thus, only by joint decision of the parties would the pre-zygotes be used for implantation. And otherwise, by mutual consent they would be donated to the IVF program for research purposes.

[There are] . . . two claimed ambiguities in the consents. The first is the following sentence in . . . [the IVF consent form]: "In the event of divorce, we understand that legal ownership of any stored pre-zygotes must be determined in a property settlement and will be released as directed by order of a court of competent jurisdiction." Appellant would instead read that sentence: "In the event of divorce, we understand that legal ownership of any stored pre-zygotes must be determined by a court of competent jurisdiction." That is not, however, what the sentence says. . . . To construe the sentence as appellant suggests--surrendering all control over the pre-zygotes to the courts--is directly at odds with the intent of the parties plainly manifested throughout the consents that disposition be only by joint agreement.

For much the same reason, we agree with the . . . conclusion that . . . [the IVF consent form]--was not strictly limited to instances of "death or other unforeseen circumstances." Those are contingencies that would be resolved by . . . [the IVF consent form], but they are not the only ones. We reach this conclusion, again, from reviewing the provisions in isolation and then in the context of the consents as a whole. While we agree that the words "death or unforeseen circumstances" in . . . [the IVF consent form] did not create a condition precedent (235 A.D.2d at 159), we also note that the present circumstances--including the parties' inability to reach the anticipated settlement--might well be seen as an "unforeseen" circumstance. Moreover, viewing the ADDENDUM in isolation, there is no hint of the claimed condition in the document itself. The document is a free-standing form, separately captioned and separately signed by the parties. Finally, viewing the issue in the context of the consents as a whole, as the plurality noted, "the overly- narrow interpretation advocated by [appellant] is refuted not only by the broad language of the dispositional provision itself, but by other provisions of the informed consent document as well" (235 A.D.2d at 159).

As they embarked on the IVF program, appellant and respondent--"husband" and "wife," signing as such--clearly contemplated the fulfillment of a life dream of having a child during their marriage. The consents they signed provided for other contingencies, most especially that

in the present circumstances the pre- zygotes would be donated to the IVF program for approved research purposes. These parties having clearly manifested their intention, the law will honor it.

Judges TITONE, BELLACOSA, SMITH, LEVINE, CIPARICK and WESLEY concur.

Five years later, the Iowa Supreme Court grappled with similar issues, and summarized most of the current legal arguments regarding disposition of frozen embryos in the context of divorce.

IN RE MARRIAGE OF WITTEN
672 N.W.2d 768 (Iowa, 2003)

TERNUS, Justice.

The primary issue raised on appeal of the district court's decree in this dissolution action is whether the court properly determined the rights of Arthur (known as Trip) and Tamera Witten with respect to the parties' frozen human embryos stored at a medical facility. While we agree with Tamera that the informed consent signed by the parties at the request of the medical facility does not control the current dispute between the donors over the use or disposition of the embryos, we reject Tamera's request that she be allowed to use the embryos over Trip's objection. Therefore, we affirm the trial court's order that neither party may use or dispose of the embryos without the consent of the other party. . . .

The appellee, Arthur (Trip) Witten, and the appellant, Tamera Witten, had been married for approximately seven and one-half years when Trip sought to have their marriage dissolved in April 2002. One of the contested issues at trial was control of the parties' frozen embryos. During the parties' marriage they had tried to become parents through the process of in vitro fertilization. Because Tamera was unable to conceive children naturally, they had eggs taken from Tamera artificially fertilized with Trip's sperm. Tamera then underwent several unsuccessful embryo transfers in an attempt to become pregnant. At the time of trial seventeen fertilized eggs remained in storage at the University of Nebraska Medical Center (UNMC).⁴

Prior to commencing the process for in vitro fertilization, the parties signed informed consent documents prepared by the medical center. These documents included an "Embryo Storage Agreement," which was signed by Tamera and Trip as well as by a representative of UNMC. It provided in part:

Release of Embryos. The Client Depositors [Trip and Tamera] understand and agree that containers of embryos stored pursuant to this agreement will be used for transfer, release or disposition only with the signed approval of both Client Depositors. UNMC will release the containers of embryos only to a licensed physician recipient of written authorization of the Client Depositors.

⁴No medical testimony was introduced at trial with respect to the cell stage of the parties' fertilized eggs. Therefore, while some cases refer to fertilized eggs in the early stages of division as "pre-zygotes" or "preembryos," we use the term "embryo" in discussing the present appeal, since that is the terminology used in the Wittens' contract with UNMC. This term is used interchangeably with the term "fertilized egg."

The agreement had one exception to the joint-approval requirement that governed the disposition of the embryos upon the death of one or both of the client depositors. Another provision of the contract provided for termination of UNMC's responsibility to store the embryos upon several contingencies: (1) the client depositors' written authorization to release the embryos or to destroy them; (2) the death of the client depositors; (3) the failure of the client depositors to pay the annual storage fee; or (4) the expiration of ten years from the date of the agreement.

At trial, Tamera asked that she be awarded "custody" of the embryos. She wanted to have the embryos implanted in her or a surrogate mother in an effort to bear a genetically linked child. She testified that upon a successful pregnancy she would afford Trip the opportunity to exercise parental rights or to have his rights terminated. She adamantly opposed any destruction of the embryos, and was also unwilling to donate the eggs to another couple.

Trip testified at the trial that while he did not want the embryos destroyed, he did not want Tamera to use them. He would not oppose donating the embryos for use by another couple. Trip asked the court to enter a permanent injunction prohibiting either party from transferring, releasing, or utilizing the embryos without the written consent of both parties.

The district court decided the dispute should be governed by the "embryo storage agreement" between the parties and UNMC, which required both parties' consent to any use or disposition of the embryos. Enforcing this agreement, the trial court enjoined both parties "from transferring, releasing or in any other way using or disposing of the embryos ... without the written and signed approval and authorization" of the other party.

Tamera has appealed the trial court's order, challenging only the court's resolution of the parties' dispute over the fertilized eggs. She claims the storage agreement is silent with respect to disposition or use of the embryos upon the parties' dissolution because there is no provision specifically addressing that contingency. Therefore, she argues, the court should have applied the "best interests" test of Iowa Code chapter 598 (2001) and, pursuant to that analysis, awarded custody of the embryos to her. She makes the alternative argument that she is entitled to the fertilized eggs due to her fundamental right to bear children. Finally, Tamera claims it would violate the public policy of this state if Trip were allowed to back out of his agreement to have children. She claims such an agreement is evidenced by his participation in the in vitro fertilization procedure. . . .

A. Scope of storage agreement. We first consider Tamera's contention that the storage agreement does not address the situation at hand. As noted earlier, the agreement had a specific provision governing control of the embryos if one or both parties died, but did not explicitly deal with the possibility of divorce. Nonetheless, we think the present predicament falls within the general provision governing "release of embryos," in which the parties agreed that the embryos would not be transferred, released, or discarded without "the signed approval" of both Tamera and Trip. This provision is certainly broad enough to encompass the decision-making protocol when the parties are unmarried as well as when they are married.

The only question, then, is whether such agreements are enforceable when one of the parties later changes his or her mind with respect to the proper disposition of the embryos. In reviewing the scarce case law from other jurisdictions on this point, we have found differing views of how the parties' rights should be determined. There is, however, abundant literature that has scrutinized the approaches taken to date. Some writers have suggested refinements of the analytical framework employed by the courts thus far; some have proposed an entirely new model of analysis. From these various sources, we have identified three primary approaches to

resolving disputes over the disposition of frozen embryos, which we have identified as (1) the contractual approach, (2) the contemporaneous mutual consent model, and (3) the balancing test.

Tamera's argument that her right to bear children should override the parties' prior agreement as well as Trip's current opposition to her use of the embryos resembles the balancing test. As for Tamera's alternative argument, we have found no authority supporting a "best interests" analysis in determining the disposition of frozen embryos. Nonetheless, we will first consider whether chapter 598 requires application of that analysis under the circumstances presented by this case. Then, we will discuss and consider the three approaches suggested by decisions from other jurisdictions and the literature on this subject.

B. *"Best interests" test.* Iowa Code section 598.41 sets forth various standards governing a court's determination of the custody of the parties' children in a dissolution case, including the requirement that any custody award reflect "the best interest of the child." Tamera contends the embryos are children and their best interest demands placement with her. Trip argues the frozen embryos are not children and should not be considered as such for purposes of applying chapter 598 in dissolution actions. . . .

[W]e conclude the principles contained in section 598.41 do not govern the dispute before us. . . . The principles of section 598.41 do not fit because what is really at issue here is not the custody of children as that concept is generally viewed and analyzed in dissolution cases. Rather, the issue here is who will have decision-making authority with respect to the fertilized eggs. *See generally Kass v. Kass*, 91 N.Y.2d 554, 673 N.Y.S.2d 350, 696 N.E.2d 174, 179 (1998) (noting "the relevant inquiry" in disputes over control of frozen "pre-zygotes" is "who has dispositional authority over them"); *Davis v. Davis*, 842 S.W.2d 588, 597 (Tenn.1992) (holding, in dissolution-of-marriage action, that fertilized eggs were neither "persons" nor "property" for purposes of determining the parties' "decision-making authority concerning disposition of the embryos" and implicitly rejecting "best interests" analysis used by trial court). Thus, the factors that are relevant in determining the custody of children in dissolution cases are simply not useful in determining how decisions will be made with respect to the disposition and use of a divorced couple's fertilized eggs. For these reasons, we conclude the legislature did not intend to include fertilized eggs or frozen embryos within the scope of section 598.41.

C. *Enforcement of storage agreement.* We now consider the appropriateness of the trial court's decision to allow Tamera and Trip's agreement with the medical center to control the current dispute between them. As we noted above, there are three methods of analysis that have been suggested to resolve disputes over frozen embryos. We will discuss them separately.

1. *Contractual approach.* The currently prevailing view--expressed in three states--is that contracts entered into at the time of in vitro such an agreement, "the relative interests of the parties in using or not using the preembryos must be weighed." *Id. [Davis]* at 604. The court awarded the preembryos to the husband, concluding his interest in not becoming a parent outweighed his former wife's interest in donating the preembryos to another couple for implantation. *Id.* The court noted the issue might be closer if the wife had wanted to use the preembryos herself; but in view of the fact she had "a reasonable possibility of achieving parenthood by means other than use of the preembryos in question," she would not have prevailed even under those circumstances. *Id.* [The New York Court of Appeals noted,]

[It is] particularly important that courts seek to honor the parties' expressions of choice, made before disputes erupt, with the parties' over-all direction always

uppermost in the analysis. Knowing that advance agreements will be enforced underscores the seriousness and integrity of the consent process. Advance agreements as to disposition would have little purpose if they were enforceable only in the event the parties continued to agree. To the extent possible, it should be the progenitors--not the State and not the courts--who by their prior directive make this deeply personal life choice. *Kass*, 673 N.Y.S.2d 350, 696 N.E.2d at 180.

This approach has been criticized, however, because it "insufficiently protects the individual and societal interests at stake"

First, decisions about the disposition of frozen embryos implicate rights central to individual identity. On matters of such fundamental personal importance, individuals are entitled to make decisions consistent with their contemporaneous wishes, values, and beliefs. Second, requiring couples to make binding decisions about the future use of their frozen embryos ignores the difficulty of predicting one's future response to life-altering events such as parenthood. Third, conditioning the provision of infertility treatment on the execution of binding disposition agreements is coercive and calls into question the authenticity of the couple's original choice. Finally, treating couples' decisions about the future use of their frozen embryos as binding contracts undermines important values about families, reproduction, and the strength of genetic ties. *Coleman*, 84 Minn. L.Rev. at 88-89.

Another legal writer has echoed these concerns:

Binding a couple to a prior disposition agreement has its roots in contract law. The primary advantage of treating the disposition of preembryos as a contract dispute is that it binds individuals to previous obligations, even if their priorities or values change. This advantage, while maximizing the efficiency of commercial transactions, is ill-suited to govern the disposition of human tissue with the potential to develop into a child. The potential of the embryo requires that couples be allowed to make contemporaneous decisions about the fate of the embryo that reflect their current values. Christina C. Lawrence, Note, *Procreative Liberty and the Preembryo Problem: Developing a Medical and Legal Framework to Settle the Disposition of Frozen Embryos*, 52 Case W. Res. L.Rev. 721, 729 (2002) [hereinafter "Lawrence Note"]; accord *J.B. v. M.B.*, 170 N.J. 9, 783 A.2d 707, 718-19 (2001).

In response to such concerns, one commentator has suggested an alternative model requiring contemporaneous mutual consent. We now examine that approach.

2. Contemporaneous mutual consent. The contractual approach and the contemporaneous mutual consent model share an underlying premise: "decisions about the disposition of frozen embryos belong to the couple that created the embryo, with each partner entitled to an equal say in how the embryos should be disposed." *Coleman*, 84 Minn. L.Rev. at 81. Departing from this common starting point, the alternative framework asserts the important question is "at what time does the partners' consent matter?" *Id.* at 91. Proponents of the mutual-consent approach suggest that, with respect to "decisions about intensely emotional matters, where people act more on the basis of feeling and instinct than rational deliberation," it may "be impossible to make a knowing and intelligent decision to relinquish a right in advance

of the time the right is to be exercised." *Id.* at 98; *see also* Sara D. Petersen, Comment, *Dealing With Cryopreserved Embryos Upon Divorce: A Contractual Approach Aimed at Preserving Party Expectations*, 50 UCLA L.Rev. 1065, 1090 & n. 156 (2003) (stating "surveys of couples that have stored frozen embryos suggest that they may be prone to changing their minds while their embryos remain frozen" and citing a study that found "[o]f the 41 couples that had recorded both a pre-treatment and post-treatment decision about embryo disposition, only 12(29%) kept the same disposition choice" (citation omitted)). One's erroneous prediction of how she or he will feel about the matter at some point in the future can have grave repercussions. "Like decisions about marriage or relinquishing a child for adoption, decisions about the use of one's reproductive capacity have lifelong consequences for a person's identity and sense of self":

When chosen voluntarily, becoming a parent can be an important act of self-definition. Compelled parenthood, by contrast, imposes an unwanted identity on the individual, forcing her to redefine herself, her place in the world, and the legacy she will leave after she dies. For some people, the mandatory destruction of an embryo can have equally profound consequences, particularly for those who believe that embryos are persons. If forced destruction is experienced as the loss of a child, it can lead to life-altering feelings of mourning, guilt, and regret.

Coleman, 84 Minn. L.Rev. at 96-97.

To accommodate these concerns, advocates of the mutual-consent model propose "no embryo should be used by either partner, donated to another patient, used in research, or destroyed without the [contemporaneous] mutual consent of the couple that created the embryo." *Id.* at 110. Under this alternate framework,

advance instructions would not be treated as binding contracts. If either partner has a change of mind about disposition decisions made in advance, that person's current objection would take precedence over the prior consent. If one of the partners rescinds an advance disposition decision and the other does not, the mutual consent principle would not be satisfied and the previously agreed-upon disposition decision could not be carried out.

When the couple is unable to agree to any disposition decision, the most appropriate solution is to keep the embryos where they are--in frozen storage. Unlike the other possible disposition decisions--use by one partner, donation to another patient, donation to research, or destruction--keeping the embryos frozen is not final and irrevocable. By preserving the status quo, it makes it possible for the partners to reach an agreement at a later time. *Id.* at 110-12; *see also id.* at 89 (suggesting "the embryo would remain in frozen storage until the parties reach a new agreement, the embryo is no longer viable, or storage facilities are no longer available"); *accord* Lawrence Note, 52 Case W. Res. L.Rev. at 742.

Although this model precludes one party's use of the embryos to have children over the objection of the other party, the outcome under the contractual approach and the balancing test would generally be the same. *See A.Z. v. B.Z.*, 431 Mass. 150, 725 N.E.2d 1051, 1057-58 (2000) ("As a matter of public policy, ... forced procreation is not an area amenable to judicial enforcement."); *J.B.*, 783 A.2d at 717 (evaluating relative interests of parties in disposition of embryos, concluding husband should not be able to use embryos over wife's objection); *Davis*, 842 S.W.2d at 604 ("Ordinarily, the party wishing to avoid procreation should prevail."); Susan B. Apel, *Disposition of Frozen Embryos: Are Contracts the Solution?*, Vermont Bar Journal, March 2001, at 31 ("Some argue that the party seeking to avoid procreation should prevail, and

indeed, this appears to be the one harmonizing rationale of the four reported cases.") [hereinafter "Apel"]

3. Balancing test. The New Jersey Supreme Court appears to have adopted an analysis regarding the disposition of frozen human embryos that incorporates the idea of contemporaneous decision-making, but not that of mutual consent. In *J.B.*, the New Jersey court rejected the *Kass* and *Davis* contractual approach, noting public policy concerns in "[e]nforcement of a contract that would allow the implantation of preembryos at some future date in a case where one party has reconsidered his or her earlier acquiescence." 783 A.2d at 718. The court stated:

We believe that the better rule, and the one we adopt, is to enforce agreements entered into at the time in vitro fertilization is begun, *subject to the right of either party to change his or her mind about disposition up to the point of use or destruction of any stored preembryos.* *Id.* at 719 (emphasis added).

The court based its decision on "[t]he public policy concerns that underlie limitations on contracts involving family relationships." *Id.*; *see also A.Z.*, 725 N.E.2d at 1057-58 (refusing, in light of the same public policy concerns, to enforce an agreement that allowed the wife, upon the parties' separation, to use the couple's preembryos for implantation).

The New Jersey court did not, however, adopt the requirement for mutual consent as a prerequisite for any use or disposition of the preembryos. Rather, that court stated that "if there is a disagreement between the parties as to disposition ..., the interests of both parties must be evaluated" by the court. *J.B.*, 783 A.2d at 719. This balancing test was also the default analysis employed by the Tennessee Supreme Court in *Davis* where the parties had not executed a written agreement. *See Davis*, 842 S.W.2d at 604 (holding in the absence of a prior agreement concerning disposition, "the relative interests of the parties in using or not using the preembryos must be weighed" by the court).

The obvious problem with the balancing test model is its internal inconsistency. *See generally* Lawrence Note, 52 Case W. Res. L.Rev. at 738 (suggesting "[t]he premise of the balancing test ... is flawed"). Public policy concerns similar to those that prompt courts to refrain from enforcement of contracts addressing reproductive choice demand even more strongly that we not substitute the courts as decision makers in this highly emotional and personal area. Nonetheless, that is exactly what happens under the decisional framework based on the balancing test because the court must weigh the relative interests of the parties in deciding the disposition of embryos when the parties cannot agree. *See J.B.*, 783 A.2d at 719.

D. Discussion. With these alternative approaches in mind, we turn to the present case. Trip asks that the contractual provision requiring mutual consent be enforced; Tamera claims this agreement is against the public policy of Iowa because it allows Trip to back out of his prior agreement to become a parent. We first consider whether there is any merit to Tamera's public policy argument.

"While the term 'public policy' is not susceptible of exact definition," *Walker v. Am. Family Mut. Ins. Co.*, 340 N.W.2d 599, 601 (Iowa 1983), we think the following discussion captures the meaning of this phrase:

The term "public policy" is of indefinite and uncertain definition, and there is no absolute rule or test by which it can be always determined whether a contract contravenes the public policy of the state; but each case must be determined according to the terms of the instrument under consideration and the

circumstances peculiar thereto. In general, however, it may be said that any contract which conflicts with the morals of the times or contravenes any established interest of society is contrary to public policy. We must look to the Constitution, statutes, and judicial decisions of the state, to determine its public policy and that which is not prohibited by statute, condemned by judicial decision, nor contrary to the public morals contravenes no principle of public policy. *Liggett v. Shriver*, 181 Iowa 260, 265, 164 N.W. 611, 612-13 (1917); *accord Wunschel Law Firm, P.C. v. Clabaugh*, 291 N.W.2d 331, 335 (Iowa 1980).

The identification of a public policy is only part of the equation, however. "To strike down a contract on public policy grounds, we must conclude that 'the preservation of the general public welfare ... outweigh [s] the weighty societal interest in the freedom of contract.' " *Grinnell Mut. Reinsurance Co. v. Jungling*, 654 N.W.2d 530, 540 (Iowa 2002) (citation omitted). In consideration of the delicate balancing required in this arena, we exercise the power to invalidate a contract on public policy grounds cautiously and only in cases free from doubt. *DeVetter v. Principal Mut. Life Ins. Co.*, 516 N.W.2d 792, 794 (Iowa 1994).

Tamera contends the contract at issue here violates public policy because it allows a person who has agreed to participate in an in vitro fertilization program to later change his mind about becoming a parent. While there is some question whether Trip's participation constitutes an implied agreement to become a father, *see Davis*, 842 S.W.2d at 598 (rejecting argument that husband impliedly agreed to become a parent outside the confines of a marital relationship simply by undergoing in vitro fertilization procedures with his then wife), we accept Tamera's assertion for purposes of the present discussion and proceed to consider whether there is any public policy against an agreement allowing a donor to abandon in vitro fertilization attempts when viable embryos remain. Tamera cites to no Iowa statute or prior case that articulates such a policy in the factual context we face here. While Iowa statutes clearly impose responsibilities on parents for the support and safekeeping of their children, such statutes, as we have already discussed in connection with chapter 598, do not contemplate the complex issues surrounding the disposition and use of frozen human embryos. The public policy evidenced by our law relates to the State's concern for the physical, emotional, and psychological well being of children who have been born, not fertilized eggs that have not even resulted in a pregnancy.

Nor can we say that the "morals of the times" are such that a party participating in an in vitro fertilization process has the duty to use or facilitate the use of each fertilized egg for purposes of pregnancy. To the contrary, courts that have considered one party's desire to use frozen embryos over the objection of the other progenitor have held that the objecting party's fundamental right not to procreate outweighs the other party's procreative rights, even in the face of a prior agreement allowing one party to use the embryos upon the parties' divorce. *See A.Z.*, 725 N.E.2d at 1057-58; *J.B.*, 783 A.2d at 717-19. Thus, we find no public policy that requires the use of the frozen embryos over one party's objection.

That brings us to the more complex issue: are prior agreements regarding the future disposition of embryos enforceable when one of the donors is no longer comfortable with his or her prior decision? We first note our agreement with other courts considering such matters that the partners who created the embryos have the primary, and equal, decision-making authority with respect to the use or disposition of their embryos. We think, however, that it would be against the public policy of this state to enforce a prior agreement between the parties in this highly personal area of reproductive choice when one of the parties has changed his or her mind concerning the disposition or use of the embryos.

Our statutes and case law evidence an understanding that decisions involving marital and family relationships are emotional and subject to change. For example, Iowa law imposes a seventy-two hour waiting period after the birth of a child before the biological parents can release parental rights. *See Iowa Code § 600A.4(2)(g)*. In addition, although this court has not abolished claims for breach of promise to marry, only recovery of monetary damages is permitted; the court will not force a party to actually consummate the marriage. *See Herbert F. Goodrich, Iowa Decisions on Breach of Marriage Promise*, 4 Iowa L. Bull. 166, 177 (1918). It has also long been recognized in this state that agreements for the purpose of bringing about a dissolution of marriage are contrary to public policy and therefore void. *Barngrover v. Pettigrew*, 128 Iowa 533, 535, 104 N.W. 904, 904 (1905) (holding where express object of contract was to bring about a dissolution of marriage and to put an end to the various duties and obligations resulting from the marital union, contract was against public policy and void).

This court has also expressed a general reluctance to become involved in intimate questions inherent in personal relationships. . . .

We have considered and rejected the arguments of some commentators that embryo disposition agreements are analogous to antenuptial agreements and divorce stipulations, which courts generally enforce. . . . Whether embryos are viewed as having life or simply as having the potential for life, this characteristic or potential renders embryos fundamentally distinct from the chattels, real estate, and money that are the subjects of antenuptial agreements. Divorce stipulations are also distinguishable. While such agreements may address custody issues, they are contemporaneous with the implementation of the stipulation, an attribute noticeably lacking in disposition agreements.

In addition to decisional and statutory authority supporting a public policy against judicial enforcement of personal decisions concerning marriage, family, and reproduction, our statutes also anticipate the effect of a couple's dissolution on their prior decisions. . . . As noted by one commentator, embryos are originally created as "a mutual undertaking by [a] couple to have children together." Coleman, 84 Minn. L.Rev. at 83. Agreements made in that context are not always consistent with the parties' wishes once the mutual undertaking has ended.

We think judicial decisions and statutes in Iowa reflect respect for the right of individuals to make family and reproductive decisions based on their current views and values. They also reveal awareness that such decisions are highly emotional in nature and subject to a later change of heart. For this reason, we think judicial enforcement of an agreement *between a couple* regarding their future family and reproductive choices would be against the public policy of this state.

Our decision should not be construed, however, to mean that disposition agreements *between donors and fertility clinics* have no validity at all. We recognize a disposition or storage agreement serves an important purpose in defining and governing the relationship between the couple and the medical facility, ensuring that all parties understand their respective rights and obligations. . . .

In view of these competing needs, we reject the contractual approach and hold that agreements entered into at the time in vitro fertilization is commenced are enforceable and binding on the parties, "subject to the right of either party to change his or her mind about disposition up to the point of use or destruction of any stored embryo." *J.B.*, 783 A.2d at 719. This decisional model encourages prior agreements that can guide the actions of all parties, unless a later objection to any dispositional provision is asserted. It also recognizes that, *absent a change of heart by one of the partners*, an agreement governing disposition of embryos does not violate public policy. Only when one person makes known the agreement no longer reflects

his or her current values or wishes is public policy implicated. Upon this occurrence, allowing either party to withdraw his or her agreement to a disposition that person no longer accepts acknowledges the public policy concerns inherent in enforcing prior decisions of a fundamentally personal nature. In fairness to the medical facility that is a party to the agreement, however, any change of intention must be communicated in writing to all parties in order to reopen the disposition issues covered by the agreement. *Id.*

That brings us, then, to the dilemma presented when one or both partners change their minds and the parties cannot reach a mutual decision on disposition. We have already explained the grave public policy concerns we have with the balancing test, which simply substitutes the court as decision maker. A better principle to apply, we think, is the requirement of contemporaneous mutual consent. Under that model, no transfer, release, disposition, or use of the embryos can occur without the signed authorization of both donors. If a stalemate results, the status quo would be maintained. The practical effect will be that the embryos are stored indefinitely unless both parties can agree to destroy the fertilized eggs. Thus, any expense associated with maintaining the status quo should logically be borne by the person opposing destruction. *See* Coleman, 84 Minn. L.Rev. at 112 ("The right to insist on the continued storage of the embryos should be dependent on a willingness to pay the associated costs.").

Turning to the present case, we find a situation in which one party no longer concurs in the parties' prior agreement with respect to the disposition of their frozen embryos, but the parties have been unable to reach a new agreement that is mutually satisfactory. Based on this fact, under the principles we have set forth today, we hold there can be no use or disposition of the Wittens' embryos unless Trip and Tamera reach an agreement. Until then, the party or parties who oppose destruction shall be responsible for any storage fees. Therefore, we affirm the trial court's ruling enjoining both parties from transferring, releasing, or utilizing the embryos without the other's written consent. . . .



II. Intellectual Property Ownership

A. Property Owned at Death

When a person dies, the deceased's property passes to devisees under a will, if the deceased left a will, or to the deceased's heirs under the statute of inheritance. The probate process is usually responsible for such transfers. Through the probate process, courts sort out and distribute the property the deceased owned at the time of his or her death. For example, California Probate Code § 7001 provides that "title to a decedent's property passes on the decedent's death to the person to whom it is devised in the decedent's last will, or in the absence of such a devise, to the decedent's heirs as prescribed in the laws governing intestate succession." The probate process deals with the property a decedent owned at death.

In sorting out a decedent's estate, sometimes the issue is whether something should count as property at all, as well as whether the decedent owned it. This issue was raised in the *Hecht* case, *supra*, with regard to the deceased's frozen sperm. You will encounter it again and again in many different contexts.

Among the most interesting disputes regarding property owned at death is the dispute over whether the publicity rights of Elvis Presley survived his death. In this controversial decision written by Judge Merritt of the Sixth Circuit, the court of appeals determines that publicity rights were not property rights at all and therefore could not be inherited by those who survived Elvis.

For the purpose of this case, you MUST assume that Elvis is dead.

MEMPHIS DEVELOPMENT FOUNDATION V. FACTORS ETC., INC.

616 F.2d 956 (6th Cir. 1980) *cert. denied*, 101 S.Ct. 358 (1980)

MERRITT, Circuit Judge.

This appeal raises the interesting question: Who is the heir of fame? The famous have an exclusive legal right during life to control and profit from the commercial use of their name and personality. We are called upon in this diversity case to determine whether, under Tennessee law, the exclusive right to publicity survives a celebrity's death. We hold that the right is not inheritable. After death the opportunity for gain shifts to the public domain, where it is equally open to all.

I.

Elvis Presley died in Memphis on August 16, 1977. To honor him, the Memphis Development Foundation, a Tennessee non-profit corporation, laid plans to erect a large bronze statue of Presley in downtown Memphis. The Foundation solicited public contributions to pay for the sculpture. Donors of \$25 or more received an eight-inch pewter replica of the proposed statue from the Foundation. . . .

Prior to his death, Presley had conveyed the exclusive right to exploit the commercial value of his name and likeness to Boxcar Enterprises in exchange for royalties. Colonel Tom Parker, Presley's manager, was the majority shareholder of Boxcar. Parker owned 56% of the

shares; Presley and Tom Dishkin, President of Boxcar, each owned 22%. Two days after Presley's death, Boxcar sold a license to use its rights to Factors for \$150,000. Presley's father agreed to the sale on behalf of Elvis' estate. . . .

II.

At common law, there is a right of action for the appropriation or unauthorized commercial use of the name or likeness of another. An individual is entitled to control the commercial use of these personal attributes during life. But the common law has not heretofore widely recognized this right to control commercial publicity as a property right which may be inherited. See W. Prosser, *Handbook of The Law of Torts* s 117, at 804, 815 (4th ed. 1971).

Recently, a few cases have characterized the right of publicity as property which may be passed on to heirs or assigns. In addition, a recent law journal article advocates recognition of such a right after death where a person has exploited his fame during life by assigning it to an agent or otherwise entering into a contract for its use. The theory is that the law should recognize that "the possibility of providing for one's heirs may have a motivational effect during one's life." Assignment during life is the touchstone because "if no contract has been created, the identification of . . . harm is . . . difficult" and evidently "such concerns were not a substantial motivation." The article thus distinguishes between "the unrealized potential ability of a person to profit from his attributes," an interest insufficient to establish an inheritable right, and the conscious exploitation of the right during life, the continuation of which after death fulfills "the social policy of encouraging individual creativity." Felcher & Rubin, *Privacy, Publicity, and the Portrayal of Real People by the Media*, 88 Yale L.J. 1577, 1618-19 (1979).

Tennessee courts have not addressed this issue directly or indirectly, and we have no way to assess their predisposition. Since the case is one of first impression, we are left to review the question in the light of practical and policy considerations, the treatment of other similar rights in our legal system, the relative weight of the conflicting interests of the parties, and certain moral presuppositions concerning death, privacy, inheritability and economic opportunity. These considerations lead us to conclude that the right of publicity should not be given the status of a devisable right, even where as here a person exploits the right by contract during life.

III.

Recognition of a post-mortem right of publicity would vindicate two possible interests: the encouragement of effort and creativity, and the hopes and expectations of the decedent and those with whom he contracts that they are creating a valuable capital asset. Although fame and stardom may be ends in themselves, they are normally by-products of one's activities and personal attributes, as well as luck and promotion. The basic motivations are the desire to achieve success or excellence in a chosen field, the desire to contribute to the happiness or improvement of one's fellows and the desire to receive the psychic and financial rewards of achievement. As John Rawls has written, such needs come from the deep psychological fact that the individuals want the respect and good will of other persons and "enjoy the exercise of their realized capacities (their innate or trained abilities), and this enjoyment increases the more the capacity is realized, or the greater its complexity." (Footnote omitted.) According to Rawls:

(Such) activities are more enjoyable because they satisfy the desire for variety and novelty of experience, and leave room for feats of ingenuity and invention. They also evoke the pleasures of anticipation and surprise, and often the overall form of the activity,

its structural development, is fascinating and beautiful. A THEORY OF JUSTICE 426-27 (1971).

Fame is an incident of the strong motivations that Rawls describes. The desire to exploit fame for the commercial advantage of one's heirs is by contrast a weak principle of motivation. It seems apparent that making the right of publicity inheritable would not significantly inspire the creative endeavors of individuals in our society.

IV.

On the other hand, there are strong reasons for declining to recognize the inheritability of the right. A whole set of practical problems of judicial line-drawing would arise should the courts recognize such an inheritable right. How long would the "property" interest last? In perpetuity? For a term of years? Is the right of publicity taxable? At what point does the right collide with the right of free expression guaranteed by the first amendment? Does the right apply to elected officials and military heroes whose fame was gained on the public payroll, as well as to movie stars, singers and athletes? Does the right cover posters or engraved likenesses of, for example, Farah Fawcett Majors or Mahatma Gandhi, kitchen utensils ("Revere Ware"), insurance ("John Hancock"), electric utilities ("Edison"), a football stadium ("RFK"), a pastry ("Napoleon"), or the innumerable urban subdivisions and apartment complexes named after famous people? Our legal system normally does not pass on to heirs other similar personal attributes even though the attributes may be shared during life by others or have some commercial value. Titles, offices and reputation are not inheritable. Neither are trust or distrust and friendship or enmity descendible. An employment contract during life does not create the right for heirs to take over the job. Fame falls in the same category as reputation; it is an attribute from which others may benefit but may not own. . . .

Fame often is fortuitous and fleeting. It always depends on the participation of the public in the creation of an image. It usually depends on the communication of information about the famous person by the media. The intangible and shifting nature of fame and celebrity status, the presence of widespread public and press participation in its creation, the unusual psychic rewards and income that often flow from it during life and the fact that it may be created by bad as well as good conduct combine to create serious reservations about making fame the permanent right of a few individuals to the exclusion of the general public. Heretofore, the law has always thought that leaving a good name to one's children is sufficient reward in itself for the individual, whether famous or not. Commercialization of this virtue after death in the hands of heirs is contrary to our legal tradition and somehow seems contrary to the moral presuppositions of our culture.

There is no indication that changing the traditional common law rule against allowing heirs the exclusive control of the commercial use of their ancestor's name will increase the efficiency or productivity of our economic system. It does not seem reasonable to expect that such a change would enlarge the stock or quality of the goods, services, artistic creativity, information, invention or entertainment available. Nor will it enhance the fairness of our political and economic system. It seems fairer and more efficient for the commercial, aesthetic, and political use of the name, memory and image of the famous to be open to all rather than to be monopolized by a few. An equal distribution of the opportunity to use the name of the dead seems preferable. The memory, name and pictures of famous individuals should be regarded as a common asset to be shared, an economic opportunity available in the free market system.

These same considerations also apply to the Presley assigns' more narrow argument based on the fact that Presley entered into contracts during his life for the commercial use of his

image. It is true that the assignment of the right of publicity during life shows that Presley was aware of the value of the asset and intended to use it. The assignment also suggests that he intended to convert a mere opportunity or potential for profit into a tangible possession and consciously worked to create the asset with, perhaps, the hope of devising it.

The question is whether the specific identification and use of the opportunity during life is sufficient to convert it into an inheritable property right after death. We do not think that whatever minimal benefit to society may result from the added motivation and extra creativity supposedly encouraged by allowing a person to pass on his fame for the commercial use of his heirs or assigns outweighs the considerations discussed above.

Much to Judge Merritt's surprise, when the Tennessee courts got around to the issue of whether publicity rights continue to be valuable property rights that survive the death of a celebrity, they resoundingly repudiated Judge Merritt's analysis and held that Elvis's publicity rights continue to be valuable property rights. *State of Tennessee ex Rel. The Elvis Presley International Memorial Foundation v. Crowell*, 733 S.W.2d 89 (Tenn. Ct. Ap. 1987). Later, even the Sixth Circuit bowed to the Tennessee courts' holding that Elvis's publicity rights were property rights that survived him in *Elvis Presley Enterprises, Inc. v. Elvisly Yours, Inc.*, 936 F.2d 889 (6th Cir. 1991).



B. Co-ownership of Intellectual Property

Most of Chapter 5, beginning at page 339 of the Dukeminier & Krier text, focuses on "Co-ownership and Marital Interests" as they affect real property. There are, however, a number of interesting applications of co-ownership law to intellectual property interests, such as copyrights and patents.

The following two decisions - the first, from the United States Court of Appeals for the Ninth Circuit, regarding the copyright to "Hooked on Phonics" and the second regarding the litigation in *Brown v. Mojo Records* - are typical of intellectual property co-ownership cases.

ZUILL V. SHANAHAN

80 F.3d 1366 (9th Cir., 1996), *cert. denied* 519 U.S. 1090, 117 S.Ct. 763 (1997)

KLEINFELD, Circuit Judge:

This case turns on construction of the copyright statute of limitations [3 years], 17 U.S.C. § 507(b), as applied to claims of co-ownership. . . .

FACTS

Mr. Shanahan came up with the idea which eventually became "Hooked on Phonics." This is a program, which includes audio tapes and flash cards, to assist children in learning how to read. Mr. Shanahan created what became Hooked on Phonics by setting vowel and consonant sounds to Three Blind Mice on audiotapes, to help his son learn how to read. Later, Mr. Shanahan brought in an arranger and piano teacher, Mr. Zuill, and a percussionist, Mr. Rossi, to improve the music. Music was used to make the drill and practice more enjoyable for the children who would use the tapes.

There was some ambiguity about who was to be paid how much. Eventually, in January of 1987, Mr. Shanahan presented Mr. Zuill and Mr. Rossi with a written agreement saying that each of them would get two and one half percent of "profits from the sale of Hooked on Phonics." The agreement also recited that Mr. Shanahan's company, HMS Publishing Company, Ltd., was the "sole owner and copyright holder of 'Hooked on Phonics.'" Mr. Zuill and Mr. Rossi thought that the two and a half percent should be applied to gross sales, not profits, and they refused to sign the agreement. Mr. Shanahan responded, according to Mr. Rossi, by saying "that's all I can give you. Take it or leave it." None of the parties recalled arguing about Shanahan's claim to be the sole owner of the copyright, when the compensation arrangement was proposed in 1987.

Though Mr. Shanahan disputes some of the facts as set out below, for purposes of summary judgment, we present the evidence in the light most favorable to the opponents of the motion, Mr. Zuill and Mr. Rossi. . . . We assume for purposes of this decision that the music had sufficient originality to be copyrighted, and that the same music was used on the tapes from 1987 to 1991. We further assume, for purposes of this decision, that Mr. Zuill and Mr. Rossi provided sufficient creative input so that there would be a genuine issue of fact as to whether their work could have been copyrighted. These factual questions need not be decided in order to resolve the case. What is critical to this case and is not disputed, is that any claims to ownership by Mr.

Zuill and Mr. Rossi were expressly repudiated by Mr. Shanahan and his company in 1987. Mr. Shanahan had also claimed to be the "sole owner" in an earlier proposed financial agreement.

Mr. Shanahan and the corporations he used to market Hooked on Phonics and its predecessors expressly and repeatedly claimed sole ownership of the copyright in 1986 and 1987. They did so by saying so expressly in writing, and by furnishing copies of the Symphonics product in August 1986 with a printed copyright notice. The compensation agreement tendered in January of 1987 claimed sole ownership of the copyright. In the Spring of 1987, Mr. Zuill received a copy of Hooked on Phonics, stating in writing that HMS Publishing Company owned the copyright, and he learned at that time that Mr. Shanahan's company was marketing the product.

Mr. Shanahan was unsuccessful, for quite some time, in his marketing. He first called it Symphonics, then McPhonics when he was trying to sell it through McDonald's, finally Hooked on Phonics. The product was gradually improved and expanded, and eventually caught on. During the first few years, no profits were made, and Mr. Shanahan advised Mr. Zuill and Mr. Rossi of that.

Then in the 1990s, Mr. Shanahan, through the corporation he used to sell Hooked on Phonics, started making money from it. Mr. Zuill and Mr. Rossi sued him in October of 1991, claiming to be co-owners of one-third interests in Hooked on Phonics. They sought a declaratory judgment of co-ownership, an injunction, an accounting for their claimed share, and other relief.

The district court granted summary judgment against Mr. Zuill and Mr. Rossi on the copyright claims, holding that they were barred by the statute of limitations. . . .

1. Statute of Limitations.

Mr. Zuill and Mr. Rossi claim to be "authors of a joint work," so that copyright vested in them as well as Mr. Shanahan as "co-owners." 17 U.S.C. § 201(a). It is possible, under the evidence developed at the time of summary judgment, that the work of Mr. Zuill and Mr. Rossi could have been "for hire," so that Mr. Shanahan was the author for purposes of copyright, 17 U.S.C. § 201(b). Mr. Zuill and Mr. Rossi did not claim that Mr. Shanahan was not an owner, just that they were co-owners. Mr. Shanahan's successful defense in district court was that the co-ownership claim was barred by the statute of limitations.

This copyright action pursuant to Title 17 of the United States Code was governed by a three year statute of limitations:

(b) Civil Actions. No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued. 17 U.S.C. § 507(b).

Mr. Shanahan's theory, which prevailed below, is that if Mr. Zuill and Mr. Rossi had a claim to be co-owners, it accrued no later than early 1987, so the 1991 law suit was barred. Mr. Zuill's and Mr. Rossi's theory is that so long as their music was used in Hooked on Phonics, a new claim arose every time the product was sold, and their 1991 law suit was not barred for sales during the three years from 1988 to 1991. We conclude that claims of co-ownership, as distinct from claims of infringement, accrue when plain and express repudiation of co-ownership is communicated to the claimant, and are barred three years from the time of repudiation.

The putative co-owners, Mr. Zuill and Mr. Rossi, argue that the statute of limitations cuts off the remedy, but not the right. By that, they mean their right to co-ownership lasts as long as the copyright can--lives of the creators plus fifty years, 17 U.S.C. § 302(b)--and only their remedy for stale infringements would be barred. This argument fails because they have not sued

for infringement and could not. They claim to be co-owners with defendants. "A co-owner of a copyright cannot be liable to another co-owner for infringement of the copyright." *Ondo v. Ries*, 743 F.2d 630, 632-33 (9th Cir.1984). Because a co-owner is an owner, he has a right to use or license the use of the copyright, and cannot be an infringer: his duty to account to other co-owners for profits arises from equitable doctrines relating unjust enrichment and general principles of co-ownership, and does not amount to an infringement claim. *Id.* at 633. An infringement claim can be brought only against one who violates "the exclusive rights of the copyright owner," see 17 U.S.C. § 501(a), (b), and an owner does not have rights exclusive of a co-owner's, so an infringement claim cannot lie against a co-owner.

Because they have no infringement claim, we cannot identify an asserted right of plaintiffs which can withstand the statute of limitations. The remedy they seek is a declaration that they are co-owners, and none of the subsidiary remedies, for an accounting and so forth, are independent of that remedy.

Plaintiffs cite legislative history, which says that the intention of Congress was that the statute of limitations would extend to remedies and not substantive rights.¹ The legislative history does not speak to the issue in the case. Plaintiffs were not attempting to enforce their right collaterally in the manner described in the legislative history, or to assert any sort of equitable tolling, or otherwise to claim a remedy not barred. A claim for declaratory relief is subject to a statute of limitations generally applicable to civil claims, see *Levald v. City of Palm Desert*, 998 F.2d 680, 688 (9th Cir.1993).

There is a surprising lack of precedent on the question of when a cause of action claiming co-ownership of a copyright accrues. Plaintiffs rely on a Second Circuit case, which held that the statute of limitations did not bar a claim of ownership. See *Stone v. Williams*, 970 F.2d 1043 (2d Cir.1992). It may be that *Stone* is distinguishable because of its "highly idiosyncratic facts," see 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 12.05 n.2.2 (1992), such as that Hank Williams's daughter's claim to be an owner had to await judicial determination in that she was in fact Hank Williams' daughter and heir. Her ownership claim was based on being an heir rather

¹"The committee wishes to emphasize that it is the committee's intention that the statute of limitations, contained in this bill, is to extend to the remedy of the person affected thereby, and not to his substantive rights." With regard to this point the House report states:

It may be well to point out that statutes of limitations take the form of a limitation upon the substantive right or upon the remedy. Under the former, the right of action is extinguished at the end of the period and the courts usually have no jurisdiction with regard to actions that are not instituted within the appropriate period. In addition, the courts generally do not permit the intervention of equitable defenses or estoppel where there is a limitation on the right.

Under the remedial type of statute, the basic right is not extinguished, but the limitation is applied merely to the remedy. In some instances the right itself can be enforced collaterally, as in the case of a mortgage foreclosure subsequent to the expiration of a statutory limitation period for payment of a debt. Equitable considerations are available to prolong the time for bringing suit in such cases where there exist the disabilities of insanity or infancy, absence of the defendant from the jurisdiction, fraudulent concealment, etc.

As far as this committee has been able to ascertain, all State statutes of limitation, which now govern the Federal courts in copyright actions, are limitations upon the remedy, and the present bill has been drawn to apply this concept to a uniform Federal period of limitations. The committee has not been unmindful that the 6-year statute of limitations in the Patent Code (35 U.S.C. 286) is a limitation upon the substantive right rather than upon the remedy. However, the relatively longer period limitation provided therein compensates for the difference in concept. Moreover, it was considered that the long-standing fact that both the copyright bar and the courts have become accustomed to a limitation based upon the remedy warranted a continuation of this concept in the present bill. S.Rep. 85-1014, p.1963 (1957) (emphasis added).

than being a joint creator. See *Stone v. Gulf American Fire & Casualty Co.*, 554 So.2d 346 (Ala.1989). Because it is not controlling authority in this circuit, we need not decide whether *Stone* is properly distinguishable.

We have accepted the proposition, applied in *Stone*, that "the statute bars recovery on any claim for damages that accrued more than three years before commencement of suit," neither barring infringing acts within the limitations period, nor reaching back to infringements prior to the statutory period. . . . That proposition has no application to a co-ownership claim, as opposed to an infringement claim. Although "laches may be a defense to an action seeking a declaration of co-authorship," the defense here, statute of limitations, is legal rather than equitable, so it "may give defendants repose" and is not "premised on a showing of prejudice." *Jackson*, 25 F.3d at 887-88.

Plaintiffs argue that this construction of the statute which we adopt creates something like adverse possession to copyright ownership. We accept that there is some similarity between co-ownership of a copyright, and tenancy in common in real property. See, e.g., *Stone*, 970 F.2d at 1048 (claim accrued at time that "a reasonably diligent person ... would have been put on inquiry as to existence of a right . . ."). An express or implicit ouster of a cotenant by an unequivocal act of ownership starts the adverse possession statute of limitations running. 4 *Tiffany, The Law of Real Property* § 1185 (3rd ed.1975); 20 Am.Jur.2d, *Cotenancy and Joint Ownership*, § 115, at 205-06 (1995) ("Where a cotenant has been ousted by his cotenant, the statute of limitations commences to run from the date of the ouster"). We see nothing wrong with this resemblance. Copyright, like real estate, lasts a long time, so stability of title has great economic importance. The Supreme Court has reminded us that "Congress' paramount goal in revising the 1976 Act [was] enhancing predictability and certainty of copyright ownership." *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 749, 109 S.Ct. 2166, 2177, 104 L.Ed.2d 811 (1989). "Because copyright ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, ----, 114 S.Ct. 1023, 1030, 127 L.Ed.2d 455 (1994).

Plaintiffs further argue the desirability of allowing putative co-owners to wait to see whether there is pecuniary value to a law suit, before cluttering the courts. But the court's administrative gain if lawsuits can be postponed this way is offset by the burden and deterrent to development and marketing by a co-owner. It is inequitable to allow the putative co-owner to lie in the weeds for years after his claim has been repudiated, while large amounts of money are spent developing a market for the copyrighted material, and then pounce on the prize after it has been brought in by another's effort. "Delay under such circumstances allows the [putative] owner to speculate without risk with the other's money." *Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y.1916) (Learned Hand, J.).

A claim for a declaratory judgment of co-ownership and the relief ancillary to such a claim is a civil action, and "[n]o civil action shall be maintained . . . unless it is commenced within three years after the claim accrued." See 17 U.S.C. § 507(b). Mr. Shanahan's plain and express repudiation in 1986 and 1987 of any claim to co-ownership caused Mr. Zuill's and Mr. Rossi's action, if any, to accrue, so the district court properly found the action to be barred by the statute of limitations. An infringement occurs every time the copyrighted work is published, but creation does not. Creation, rather than infringement, was the gravamen of plaintiffs' co-ownership claim, so the claim did not accrue upon subsequent publication. . . .

The district court judgment is AFFIRMED, insofar as the copyright claims of the plaintiffs are dismissed.

BROWN V. MOJO RECORDS
2000 WL 33223398 (D.Or. 2000)

Amended Findings and Recommendation of Stewart, Magistrate J.

INTRODUCTION

Plaintiffs, Brooks Brown, James Phillips, and Brian West, were at various times members of the band The Cherry Poppin' Daddies (the "Band"). They performed music and assisted in the production and release of certain of the Band's recordings (the "Recordings"). Plaintiffs allege that while the Band has received substantial compensation for the Recordings, they have not been compensated at all. . . .

ALLEGATIONS

Defendant Mojo Records is a California Limited Liability Company, not authorized to do business in the State of Oregon. Complaint, P 1. Defendant SABP is an active Oregon corporation. *Id*, P 2. Defendant the Band is a band of musicians whose members over time have included plaintiffs Brooks Brown, James Phillips, and Brian West, and defendants Steve Perry, Dan Schmid, Dana Heitman, Jason Moss, Sean Flannery, Ian Early, and Tim Donahue. *Id*, P 3. Defendant Toilet Brain Music is either a foreign entity or an alter ego of defendant Steve Perry. *Id*, P 4. Defendant Sony Music Entertainment, Inc. is a Delaware Corporation currently not authorized to do business in Oregon. *Id*, P 5.

Plaintiff Brooks Brown ("Brown") was a member of the Band from approximately 1988 until 1994. *Id*, P 6. During that time, he was instrumental in the production and release of several albums, including the albums "Ferociously Stoned" and "Rapid City Muscle Car." *Id*. In addition, he performed several recordings that were included on the album "Zoot Suit Riot." *Id*. As such, Brown holds a copyright interest in the master recordings for "Mister White Keys," "Dr. Bones," "Ding-Dong of the D-Car Line," "Pink Elephant," "Master and Slave," "Drunk Daddy," "Cherry Poppin' Daddy Strut," and "Shake Your Lovemaker." *Id*.

Plaintiff James Phillips ("Phillips") was a member of the Band from approximately January 1989 until the summer of 1992, and again from May 1994 until approximately May 1995. *Id*, P 7. During that time, he was instrumental in the production and release of several albums, including the albums "Ferociously Stoned" and "Rapid City Muscle Car." *Id*. In addition, Phillips performed several recordings that were included on the album "Zoot Suit Riot." *Id*. As such, Phillips holds a copyright interest in the master recordings for "Dr. Bones," "Ding-Dong Daddy of the DCar Line," "Master and Slave," "Drunk Daddy," "Cherry Poppin' Daddy Strut," and "Shake Your Lovemaker." *Id*. In addition, Phillips holds a copyright interest in the master recordings for "Irish Whiskey" and "Come Back to Me." *Id*.

Plaintiff Brian West ("West") was a member of the Band from approximately 1990 until 1995. *Id*, P 8. During that time, he was instrumental in the production and release of several albums, including the albums "Ferociously Stoned" and "Rapid City Muscle Car." *Id*. In addition, Brian West performed several recordings that were included on the album "Zoot Suit Riot." *Id*. As such, he holds a copyright interest in the master recordings for "Master White Keys," "Come Back to Me," "Pink Elephant," "Ding-Dong Daddy of the D-Care Line," "Master and Slave," "Drunk Daddy," and "Shake Your Lovemaker." *Id*.

DISCUSSION

. . .

Plaintiffs' [unjust enrichment] claim is essentially a claim for an accounting between co-owners. Such a claim is not preempted by the Copyright Act. "[A] suit to bring the co-owner of a copyright to account does not fall within the district court's jurisdiction over actions arising under the copyright law" *Oddo v. Ries*, 743 F.2d 630, 633 fn2 (9th Cir 1984). In *Oddo*, the plaintiff and defendant formed a partnership to create and publish a book describing how to restore Ford pickup trucks. The partnership foundered, but eventually the book was published containing material contributed by the plaintiff. The plaintiff then sued the defendant for copyright infringement. The Ninth Circuit explained:

In the guise of a copyright infringement suit, this case presents an accounting problem between two partners.... The district court erred if it meant that [defendant] infringed the copyright.... As a partner, [defendant] is a co-owner of the partnership's assets, including the copyrights. A co-owner of a copyright cannot be liable to another co-owner for infringement of the copyright. *Id* at 632-33 (citations omitted). . . .

In a more recent case involving both co-owners and copyrighted music recordings, the court considered numerous state claims brought by a punk rock band partnership and three of its four members against the fourth member relating to the management of their assets and seeking sought an accounting for the royalties due from their recordings. *Dead Kennedys v. Biafra*, 37 F.Supp.2d 1151 (ND Cal 1999). . . . [The federal district court ruled that state co-ownership law applied,] explaining with regards to one of the plaintiffs' claims that it

does not attempt to raise an infringement claim, but rather seeks resolution of the parties' respective rights and duties. Ownership and title rights are matters of common-law and do not arise under the Copyright Act. See *Oddo*, 743 F.2d at 633. In essence, plaintiffs seek an accounting and determination of ownership rights, which are matters to be decided under state law. See *id.* *Id* at 1154.

While the plaintiffs and defendants in *Dead Kennedys* were partners, not just joint authors/co-owners, the court pointed out that "these rules apply whether co-ownership arises from joint authorship or through co-ownership of rights through a partnership" *Id* at 1153. . . .

[Assuming that] plaintiffs' allegations must be taken as true, relieving the court of the need to determine whether plaintiffs are actually co-owners of the copyrighted materials.

As co-owners, plaintiffs' action for unjust enrichment essentially involves an accounting between the parties for the revenues generated by the Recordings. Plaintiffs do not seek to stop defendants from making use of the Recordings; they simply seek their rightful share of the proceeds from the Recordings. . . . [T]raditional state law jurisprudence over matters relating to the ownership rights and duties that exist between co-owners [apply]. "The duty to account does not derive from the copyright law's proscription of infringement. Rather, it comes from 'equitable doctrines relating to unjust enrichment and general principles of law governing the rights of co-owners.'" ' *Oddo*, 743 F.2d at 633, quoting *Harrington v. Mure*, 186 F.Supp. 655, 657-58 (SDNY 1960). Thus, the Second Claim for Relief should not be deemed preempted by the Copyright Act. . . .

At oral argument, plaintiffs clarified . . . [their conversion claim that] alleges not only conversion of proceeds from the Recordings, but also conversion of physical property in the form of the master tape recordings. Generally speaking, conversion claims that involve tangible, rather than intangible, property are immune from preemption. See *Worth v. Universal Pictures, Inc.*, 5 F.Supp.2d 816, 822 (CD Cal 1997). . . .

3. State Statute of Limitations

Mojo Records and SABP assert that in the event that this Third Claim for Relief is not preempted, it is barred by the statute of limitations because it accrued at the latest in 1994 and 1995 when the plaintiffs left the band and ceased to be compensated. A claim for conversion is subject to the two-year limitations period set forth in [Oregon law,] ORS 12.110(1).

Nothing in the record demonstrates, however, when the last alleged act of conversion occurred so as to start the running of the statute of limitations. Assuming that the conversion claim is premised on the wrongful possession of master tape recordings, this court has no indication of when that conversion allegedly occurred. . . .

Generally, a copyright claim accrues when the party asserting the claim knows or should have known of the infringement on which the claim is based. *Roley v. New World Pictures, Ltd.*, 19 F.3d 479, 481 (9th Cir 1994). Plaintiffs, however, do not present a claim for copyright infringement because they do not claim to be the sole owners of copyrights for the Recordings. Rather, plaintiffs assert that they are co-owners of copyright rights in the Recordings and deserve their share of compensation for use and sale of the Recordings. If plaintiffs were to present a copyright claim, they would naturally request a declaratory judgment that they are copyright co-owners of the Recordings. Such a claim accrues, and the statute of limitations begins to run, when a plain and express repudiation of co-ownership is made. *Zuill v. Shanahan*, 80 F.3d 1366, 1369 (9th Cir 1996). For example, an express assertion of sole authorship or ownership will start the copyright statute of limitations running. *Id.* at 1370. Similarly, an express refusal to pay royalties to the alleged co-owner will commence the statute of limitations period, as such a refusal is another form of "repudiation of co-ownership." *Id.*

In *Zuill*, the plaintiffs brought an action seeking: (1) a declaratory judgment that they were co-owners of the copyrighted "Hooked on Phonics" learning system; and (2) an accounting of the proceeds from that system. *Id.* at 1367-68. The defendant successfully argued that plaintiffs' claim for a declaratory judgment was barred by the three-year Copyright Act statute of limitations because the defendant had presented to the plaintiffs more than three years earlier a royalty agreement which indicated the defendant's belief that his company "was the sole owner and copyright holder of Hooked on Phonics." *Id.* at 1368. When the plaintiffs refused to sign the agreement, the defendant stated, "that's all I can give you. Take it or leave it" *Id.* "None of the parties recalled arguing about [defendant's] claim to be the sole owner of the copyright." *Id.* The court eventually found that the defendant's "plain and express repudiation . . . of any claim to co-ownership caused [plaintiffs'] action, if any, to accrue, so the district court properly found the action to be barred by the statute of limitations." *Id.* at 1371.

In this case, unlike *Zuill*, the court has no reason to presume that plaintiffs should have been aware of "repudiation of co-ownership" at some earlier date. Plaintiffs argue that at no time prior to the filing of the lawsuit did any of the defendants make a plain and express repudiation of the plaintiffs' copyright interests. To the contrary, plaintiffs argue that the various album cover inserts list the plaintiffs as contributing musicians to the songs and albums indicated in the Complaint. Plaintiffs also argue that they would have had no reason to know that defendants were not sharing royalties because it is common practice for music royalties to be paid some time after albums are placed on the market and are being sold.

Neither party has presented evidence as to when or if plaintiffs attempted to assert claims of co-ownership at an earlier date which were rejected. Instead, on the limited factual allegations before this court, it appears that the first "repudiation" may have been when defendants chose to contest this lawsuit. As such, defendants did not plainly and expressly repudiate plaintiffs' claim of co-ownership at an earlier date and plaintiffs' preempted claim is not barred by the statute of limitations. . . .

Patent law frequently considers co-ownership rights in the context of joint inventorship, an often slippery doctrine under the Patent Act.

ETHICON, INC. v. UNITED STATES SURGICAL CORPORATION

135 F.3d 1456 (Fed. Cir. 1998), cert. denied 119 S.Ct. 278 (1998)

[Ethicon sued U.S. Surgical for patent infringement and sought an injunction and damages. The patented invention is a surgical device known as a "safety trocar" used in endoscopic surgery. U.S. Patent 4,535,773, to which the court refers as '773, issued in 1985 to Dr. Yoon, as the sole inventor. Dr. Yoon joined Ethicon in bringing the infringement action. The patent comprised 55 specific claims. With regard to two of those 55 claims, the trial court decided that an electronics technician, Mr. Choi, had been a joint inventor. As a joint inventor, Choi had co-ownership rights to the '773 patent; and Choi licensed those patent rights to U.S. Surgical. Choi also agreed to assist U.S. Surgical in defending the infringement action.

Yoon had met Choi in 1980. Choi worked with Yoon for eighteen months, ending in 1982, but was not compensated by Yoon. Later in 1982 Yoon applied for the safety trocar patent at issue in the litigation. (Most footnotes are omitted.)]

RADER, Circuit Judge.

... Because the district court's determination of co-inventorship was correct, and because Choi is a joint owner of the '773 patent who has not consented to suit against U.S. Surgical, this court affirms [the dismissal of the infringement action.]

II. CO-INVENTORSHIP

Patent issuance creates a presumption that the named inventors are the true and only inventors. . . .

A patented invention may be the work of two or more joint inventors. See 35 U.S.C. § 116 (1994). Because "[c]onception is the touchstone of inventorship," each joint inventor must generally contribute to the conception of the invention. *Burroughs Wellcome Co. v. Barr Lab., Inc.*, 40 F.3d 1223, 1227-28, 32 USPQ2d 1915, 1919 (Fed.Cir.1994). "Conception is the 'formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice.'" *Hybritech, Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376, 231 USPQ 81, 87 (Fed.Cir.1986) (quoting 1 Robinson on Patents 532 (1890)). An idea is sufficiently "definite and permanent" when "only ordinary skill would be necessary to reduce the invention to practice, without extensive research or experimentation." *Burroughs Wellcome*, 40 F.3d at 1228.

The conceived invention must include every feature of the subject matter claimed in the patent. See *Sewall*, 21 F.3d at 415. Nevertheless, for the conception of a joint invention, each of the joint inventors need not "make the same type or amount of contribution" to the invention. 35 U.S.C. § 116. Rather, each needs to perform only a part of the task which produces the invention. On the other hand, one does not qualify as a joint inventor by merely assisting the actual inventor after conception of the claimed invention. . . .

Furthermore, a co-inventor need not make a contribution to every claim of a patent. See 35 U.S.C. § 116. A contribution to one claim is enough. See *SmithKline Diagnostics, Inc. v. Helena*

Lab. Corp., 859 F.2d 878, 888, 8 USPQ2d 1468, 1476 (Fed.Cir.1988). Thus, the critical question for joint conception is who conceived, as that term is used in the patent law, the subject matter of the claims at issue.

35 U.S.C. § 256 provides that a co-inventor omitted from an issued patent may be added to the patent by a court "before which such matter is called in question." To show co-inventorship, however, the alleged co-inventor or co-inventors must prove their contribution to the conception of the claims by clear and convincing evidence. . . . Whether the [co-]inventor's testimony has been sufficiently corroborated is evaluated under a "rule of reason" analysis. Id. at 1195. Under this analysis, "[a]n evaluation of all pertinent evidence must be made so that a sound determination of the credibility of the [alleged] inventor's story may be reached." Id.

. . . .

As corroboration for his testimony of co-invention, Choi proffers sketches of his work. These sketches were in Yoon's possession since their creation. The parties do not dispute, however, that Choi in fact created the sketches. Instead, Yoon contends that he first disclosed the invention to Choi, who then made the sketches to illustrate what he learned from Yoon. Absent sufficient corroboration, inventorship would turn solely on a credibility contest between Yoon and Choi. The district court, however, found sufficient corroboration. . . . In this case, Choi's sketches show the invention. The parties agree that Choi made the sketches. The contest involves whether Choi conceived of the material in the sketches or merely drew what Yoon conceived. The district court . . . found that Choi was presenting ideas to Yoon as the sketches were drawn, rather than the other way around.

On appeal, this court declines to reweigh the evidence. Instead, this court determines that the record shows that corroboration evidence in this case satisfies the "rule of reason." . . .

Under the terms of its license agreement, U.S. Surgical gave Choi an immediate payment of \$300,000. Future payments of up to \$100,000 per year for ten years are contingent on U.S. Surgical's prevailing in this action. In return, Choi granted U.S. Surgical an exclusive license in "Choi's trocar related inventions." In addition, Choi agreed to testify in a proceeding to correct inventorship of the '773 patent and to "render all reasonable assistance requested by [U.S. Surgical] to defend or settle" this action. As the district court concluded, these license agreement terms do not constitute payment for testimony as a fact witness. . . .

A patent license agreement that binds the inventor to participate in subsequent litigation is very common. Indeed, Yoon's agreement with Ethicon contains a similar clause. This sort of agreement simply assures the licensee that it will be able to defend the property in which it has purchased an interest. . . .

IV. SCOPE OF THE CHOI-U.S. SURGICAL LICENSE

Questions of patent ownership are distinct from questions of inventorship. . . .

Indeed, in the context of joint inventorship, each co-inventor presumptively owns a pro rata undivided interest in the entire patent, no matter what their respective contributions. Several provisions of the Patent Act combine to dictate this rule. 35 U.S.C. § 116, as amended in 1984, states that a joint inventor need not make a contribution "to the subject matter of every claim of the patent." In amending section 116 as to joint inventorship, Congress did not make corresponding modifications as to joint ownership. For example, section 261 continues to provide that "patents shall have the attributes of personal property." This provision suggests that property rights, including ownership, attach to patents as a whole, not individual claims. Moreover, section 262 continues to speak of "joint owners of a patent," not joint owners of a

claim. Thus, a joint inventor as to even one claim enjoys a presumption of ownership in the entire patent.

This rule presents the prospect that a co-inventor of only one claim might gain entitlement to ownership of a patent with dozens of claims. As noted, the Patent Act accounts for that occurrence: "Inventors may apply for a patent jointly even though ... each did not make a contribution to the subject matter of every claim." 35 U.S.C. § 116 (emphasis added). Thus, where inventors choose to cooperate in the inventive process, their joint inventions may become joint property without some express agreement to the contrary. In this case, Yoon must now effectively share with Choi ownership of all the claims, even those which he invented by himself. Thus, Choi had the power to license rights in the entire patent. . . .

The license which Choi granted to U.S. Surgical states:

Choi hereby grants to U.S. Surgical an exclusive, worldwide right and license to make, have made, use, market and sell Choi's trocar related inventions, including trocars having shields and those described and/or claimed in the '773 patent. This license is retroactive to the date on which the '773 patent issued.

U.S. Surgical reads this language to cover all trocars "described and/or claimed in the '773 patent," encompassing the entire '773 patent and more. Ethicon reads the same language as limited to "Choi's trocar related inventions," which comprise only his contributions to claims 33 and 47 of the '773 patent. . . . [I]n context, Choi's grant meant to license all of his rights as a joint owner under the '773 patent. . . .

V. RETROACTIVE LICENSURE

Finally, Ethicon argues that even if the license agreement is enforceable as to the entire patent, it should still be allowed to proceed against U.S. Surgical to recover damages for pre-license infringement. . . . This court agrees with Ethicon's challenge to the retroactive effect of Choi's license, but must affirm the dismissal of the case based on Choi's refusal to join as plaintiff in the suit. . . .

. . . . An action for infringement must join as plaintiffs all co-owners. See *Waterman v. Mackenzie*, 138 U.S. 252, 255, 11 S.Ct. 334, 335, 34 L.Ed. 923 (1891) ("The patentee or his assigns may, by instrument in writing, assign, grant, and convey, either (1) the whole patent . . .; or (2) an undivided part or share of that exclusive right; or (3) the exclusive right under the patent within and throughout a specified part of the United States. A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers. In the second case, jointly with the assignor. In the first and third cases, in the name of the assignee alone." (emphasis added)); *Moore v. Marsh*, 74 U.S. (7 Wall.) 515, 520, 19 L.Ed. 37 (1868) ("[W]here [an] assignment is of an undivided part of the patent, the action should be brought for every infringement committed subsequent to the assignment, in the joint names of the patentee and assignee, as representing the entire interest.").

Further, as a matter of substantive patent law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit.⁹ Consequently, "one co-owner has the right to impede

⁹First, when any patent owner has granted an exclusive license, he stands in a relationship of trust to his licensee and must permit the licensee to sue in his name. See *Independent Wireless Telegraph Co. v. Radio Corp. of Am.*, 269 U.S. 459, 469, 46 S.Ct. 166, 169-70, 70 L.Ed. 357 (1926). Second, the obligation may arise by contract among co-owners. If, by agreement, a co-owner waives his right to refuse to join suit, his co-owners may subsequently force him to join in a suit against infringers. See *Willingham v. Lawton*, 555 F.2d 1340, 1344-45, 194

the other co-owner's ability to sue infringers by refusing to voluntarily join in such a suit." Schering, 104 F.3d at 345.

This rule finds support in section 262 of the Patent Act:

In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners.

This freedom to exploit the patent without a duty to account to other co-owners also allows co-owners to freely license others to exploit the patent without the consent of other co-owners. Schering, 104 F.3d at 344 ("Each co-owner's ownership rights carry with them the right to license others, a right that also does not require the consent of any other co-owner."). Thus, the congressional policy expressed by section 262 is that patent co-owners are "at the mercy of each other." Willingham v. Lawton, 555 F.2d 1340, 1344, 194 USPQ 249, 252 (6th Cir.1977).

. . . It is true that, in some circumstances, the decision of one co-owner to not join an infringement suit may have the same effect as granting a release, but this is not true in all cases. For example, when co-owners have granted each other a unilateral right to sue, each has waived his right not to join an infringement suit, and either of them can force the other to join a suit to collect accrued infringement damages.

Because Choi did not consent to an infringement suit against U.S. Surgical and indeed can no longer consent due to his grant of an exclusive license with its accompanying "right to sue," Ethicon's complaint lacks the participation of a co-owner of the patent. Accordingly, this court must order dismissal of this suit. . . .

- - -

PAULINE NEWMAN, Circuit Judge, dissenting.

I respectfully dissent, for whether or not Mr. Choi made an inventive contribution to two of the fifty-five claims of the '773 patent, he is not a joint owner of the other fifty-three claims of the patent. Neither the law of joint invention nor the law of property so requires, and indeed these laws mandate otherwise.

. . . My primary concern is with the failure of the court to recognize, in deciding ownership rights, the effect on these rights of the 1984 amendment of 35 U.S.C. § 116, which markedly changed the law of naming inventors on patents, and authorized the "joint invention" here adjudicated.

Before the statutory change made in 1984 Mr. Choi could not have been named a "joint inventor" of the '773 patent, for he had not jointly conceived and contributed to the entire invention. It is not disputed that his contribution is limited to elements of two of the fifty-five patent claims. Such a person was not a "joint inventor" under pre-1984 law. That law required that joint invention be the "simultaneous production of the genius and labor of both parties." Stearns v. Barrett, 22 F. Cas. 1175, 1181 (C.C.D.Mass.1816) (Story, J.). Joint ownership, in turn, was based on this principle of joint invention.

Those assistants who worked on an invention at the behest of the originator of the idea did not achieve the legal status of "joint inventor." Having no legal status as an inventor, such assistants acquired no property right in the invention by virtue of their contributions. See Collar Co. v. Van Dusen, 90 U.S. (23 Wall.) 530, 563-64, 23 L.Ed. 128 (1874) (ancillary discoveries of assistant belong to person who conceived original principle unless they "constitute the whole

USPQ 249, 252 (6th Cir.1977).

substance of the improvement"); *Agawam Co. v. Jordan*, 74 U.S. (7 Wall.) 583, 602-4, 19 L.Ed. 177 (1868) (same). In Agawam the Court explained that one less than a true joint inventor was forbidden from "appropriat[ing] to himself the entire result of the ingenuity and toil of the originator, or put[ing] it in the power of any subsequent infringer to defeat the patent." 74 U.S. at 604.

The 1984 amendment of 35 U.S.C. § 116 permitted the naming as an inventor of all persons who assisted in the development of an idea, or parts thereof, that originated with others. Such naming, however, does not automatically endow the assistant with full and common ownership of the entire invention, including the contributions of all others including the originator. That is not a reasonable consequence of the change in the law of naming inventors that occurred in 1984.

A. The Law of Joint Invention

The purpose of the [1984] amendment of § 116 was to remedy the increasing technical problems arising in team research, for which existing law, deemed to require simultaneous conception as well as shared contribution by each named inventor to every claim, was producing pitfalls for patentees, to no public purpose. As stated in its legislative history, the amendment to 35 U.S.C. § 116 "recognizes the realities of modern team research." 130 Cong. Rec. 28,069- 71 (1984) (statement of Rep. Kastenmeier).

Before 1984 precedent did not permit naming as an inventor a person who did not share in the conception of the invention and who did not contribute to all of the claims of the patent. . . . If different persons made an inventive contribution to various parts of an invention or to different claims of a patent, the legalistic problems that arose were not readily soluble, even by the complex, expensive, and often confusing expedient of filing separate patent applications on separate claims.

The progress of technology exacerbated the inventorship problems. Patents were invalidated simply because all of the named inventors did not contribute to all the claims; and patents were also invalidated when there were contributors to some of the claims who were not named. . . . Indeed, at the time the '773 patent application was filed in 1982, most practitioners believed that a separate application was required if it was desired to present, for example, the two claims that contain Mr. Choi's contribution. . . .

As team research increased with the growth of technology-based industry, so did the dilemma, for the rules of joint inventorship were not readily adaptable to the development of complex inventions. It became apparent that legislative remedy was needed. The amendment of 35 U.S.C. § 116 provided a simple solution to a complex problem:

§ 116 [second sentence] Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, or (3) each did not make a contribution to the subject matter of every claim of the patent. Pub.L. 98-622, § 104, 98 Stat. 3384, Nov. 8, 1984.

The amendment identified the three major pitfalls that had arisen, and removed them.

This amendment did not also deal with the laws of patent ownership, and did not automatically convey ownership of the entire patent to everyone who could now be named as an inventor, whatever the contribution. The amendment simply permitted persons to be named on the patent document, whether as minor contributors to a subordinate embodiment, or full partners in the creation and development of the invention. The ownership relationships among

the persons who, under § 116, could now be recognized as contributors to the invention, is irrelevant to the purpose of the amendment of § 116, and to its consequences. Section 116 has nothing to do with patent ownership.

B. The Law of Joint Ownership

The pre-1984 rule of joint ownership of joint inventions can be readily understood in its historical context, for a legally cognizable "joint invention" required mutuality of interaction and a real partnership in the creation and development of the invention. On this foundation, a "joint inventor" was also, justly and legally, an equal owner of the idea and of any patent thereon. . . .

The law of patent ownership has its roots in the common law of property-- although a patent has its own peculiar character, for it deals with intangibles. . . . Certain incidents of patent ownership have been created or clarified by statute, see 35 U.S.C. § 262, yet the common law provided the basic rules, as manifested in the concepts of tenancy in common and undivided interests that courts have drawn upon in patent ownership disputes.

The jurisprudence governing property interests is generally a matter of state law. Even when the property is the creation of federal statute, private rights are usually defined by state laws of property. This has long been recognized with respect to patent ownership and transfers. . . . It is equally established that inventorship and patent ownership are separate issues. . . .

Most of the disputes concerning patent ownership that reached the Supreme Court dealt not with joint invention, but assignments and other transfers. The oft-cited case of *Waterman v. Mackenzie*, 138 U.S. 252, 11 S.Ct. 334, 34 L.Ed. 923 (1891) dealt with a dispute among the inventor's spouse and various assignees concerning ownership of the fountain pen patent, not inventorship. Occasionally an issue of ownership of patent property arose based on whether the claimant actually shared fully in the creation of the invention. In such cases, as cited *supra*, the decision on "joint invention" also decided the issue of ownership, for a person who had fully shared in the creation of the invention was deemed to be a joint owner of the entire patent property. On this premise each joint inventor was deemed to occupy the entirety of the patented subject matter, on a legal theory of tenancy in common. See 7 Richard R. Powell, Powell on Real Property ¶ 602[5] (1997) ("undivided fractional shares held by tenants in common are usually equal and are presumed equal unless circumstances indicate otherwise"). As patent property became viewed more precisely as personal property, see 35 U.S.C. § 261, the concept of tenancy in common was adjusted to that of an undivided interest, although with no substantial change in legal rights.

After the major change that the 1984 amendment to § 116 made in "joint invention," by authorizing the naming of any contributor to any claim of a patent, the legal premise that each named person had made a full and equal contribution to the entire patented invention became obsolete. See *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 888-89, 8 USPQ2d 1468, 1477 (Fed.Cir.1988) (collecting cases). It is not an implementation of the common law of property, or its statutory embodiments, to treat all persons, however minor their contribution, as full owners of the entire property as a matter of law. The law had never given a contributor to a minor portion of an invention a full share in the originator's patent.

By amending § 116 in order to remove an antiquated pitfall whereby patents were being unjustly invalidated, the legislators surely did not intend to create another inequity. Apparently no one foresaw that judges might routinely transfer pre-1984 ownership concepts into the changed inventorship law. I have come upon no discussion of this anomaly in various scholarly articles on the amended § 116. . . .

In the case at bar, the district court recognized that Dr. Yoon originated the fundamental concept and the major aspects of its implementation. The court, however, construed the law as requiring that since Mr. Choi was named as a "joint inventor" (in accordance with the retroactivity legislated for the amendment to § 116) he automatically owned an undivided interest in the entire patent, and had the unencumbered and unfettered right to alienate an interest in the entire patent. Thus Mr. Choi, who would not pass the pre-1984 test of joint inventor, was nonetheless awarded full property rights in the entire invention and patent, as if he had been a true joint inventor of all the claims.

The panel majority, confirming this error, holds that Mr. Choi's contribution to two claims means and requires that Yoon "must now effectively share with Choi ownership of all the claims, even those which he invented by himself." That is incorrect. As I have discussed, the law of shared ownership was founded on shared invention, a situation that admittedly does not here prevail. Whether or not Mr. Choi is now properly named under § 116 because of his contribution to two claims, he is not a joint owner¹ and he does not have the right to grant a license under all fifty-five claims. No theory of the law of property supports such a distortion of ownership rights. Thus I must, respectfully, dissent from the decision of the panel majority.

For an example of a joint inventorship claim that did not succeed, see *Chiron v. Genentech*, 268 F.Supp.2d 1126 (E.D. Cal. 2002), concerning a contested patent for monoclonal antibodies capable of binding to particular human breast cancer antigens.



¹There may indeed be a need for determination of the respective interests of Dr. Yoon and Mr. Choi. Dr. Yoon's attempt to divide the '773 patent by reissue, although rebuffed by the Patent Office because of the ongoing litigation, would have placed the claims to which Mr. Choi contributed into a separate patent, in accordance with the practice when this patent application was filed. Dividing the patent claims would comport with common law practices. See Real Property ¶ 607[1] (discussing "inherent right to compel partition", citing state laws); see, e.g., *Hamilton v. Hamilton*, 597 A.2d 856, 859-60 (Del.Fam.Ct.1990) ("right of the co-tenant to partition is almost absolute").

III. Patent Assignment Estoppel

Title to intellectual property is sometimes compared with title to land. For example, concepts established in connection with land ownership can be used by analogy in resolving disputes over intellectual property. The decisions in *Zuill v. Shanahan* and *Ethicon v. U. S. Surgical*, in Section D.2 above, illustrate other extrapolations of real property law to intellectual property law.

The following decision of the United States Court of Appeals for the Federal Circuit illustrates the effects on patent law of an esoteric real property doctrine known as "estoppel by deed" (also called the "doctrine of after-acquired title") Estoppel by deed can occur when a seller of land conveys a land title which the seller does not own. It is discussed in the Dukeminier & Krier text on pages 632-33 in a note.

In the decision below the court emphasizes that in patent law, the estoppel that applies to patent assignments does not apply to patent licenses.

DIAMOND SCIENTIFIC CO. V. AMBICO, INC.

848 F.2d 1220 (Fed. Cir. 1988), *cert. dismissed*, 487 U.S. 1265, 109 S.Ct. 28 (1988)

DAVIS, Circuit Judge.

This appeal from an order of the United States District Court for the Southern District of Iowa granting plaintiff's motion to strike three affirmative defenses is before us by permission, to decide whether the doctrine of assignor estoppel prevents this assignor-inventor and his company, who are sued for infringement, from challenging the validity of the patents previously assigned by him to the assignee. We affirm.

Appellee Diamond Scientific Co. (Diamond) employed Dr. Clarence Welter from 1959 until 1974. During that time, Dr. Welter invented a vaccine against gastroenteritis in swine, and filed a patent application for "Transmissible Gastroenteritis Vaccines and Methods of Producing the Same." While making this patent application, Dr. Welter assigned all of the rights in the patents to Diamond Laboratories, Inc. (the predecessor of Diamond). Eventually, Diamond's predecessor was awarded the following patents from this application: No. 3,479,430; No. 3,585,108; and No. 3,704,203.

In 1974 Dr. Welter left Diamond, where he had become a vice-president, and formed his own company, appellant Ambico, Inc. (Ambico). Ambico began manufacturing and selling a gastroenteritis vaccine for swine. Diamond began this patent infringement suit against Ambico and Dr. Welter, claiming infringement of the three patents that Dr. Welter had assigned to Diamond. The defendants' answer raised, among other defenses, three grounds for patent invalidity: 35 U.S.C. § 112 (inadequate disclosure); 35 U.S.C. § 102 (lack of novelty); and 35 U.S.C. § 103 (obviousness). Diamond's motion to strike these three defenses asserted the doctrine of assignor estoppel. The district court granted Diamond's motion, 666 F. Supp. 163 (S.D. Iowa 1987), and this appeal followed.

The central issue to be decided is whether in this case the assignor-inventor of the patents (or a company in privity with him) can defend the infringement suit brought by the assignee by

challenging the validity of the patents previously assigned, or whether the equitable doctrine of assignor estoppel prevents the assignor from claiming that the patents are invalid.

I.

This is the first opportunity presented to this court to examine the doctrine of assignor estoppel. Although the Supreme Court has examined this doctrine or a related doctrine -- licensee estoppel -- several times this century, its opinions have hardly been definite or definitive.

Beginning with *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 69 L. Ed. 316, 45 S. Ct. 117 (1924), the Supreme Court endorsed the rule that an assignor can be estopped from challenging the validity of the assigned patent when the assignor is sued by the assignee for infringement of the assigned patent. This estoppel bars only the assignor (and those in privity with the assignor), leaving everyone else free to try to invalidate the patent. The Court did, however, limit the estoppel by allowing the assignor to present evidence of the state of the art for the sole purpose of construing and narrowing the claims of the patent. *Id.* at 350. This accommodation permitted the assignor to defend against the infringement suit by attempting to show that the accused device fell outside the proper scope of the claims of the patent in suit, yet prevented the assignor from attacking the patent's validity.

In *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 90 L. Ed. 47, 66 S. Ct. 101 (1945), the Court sidestepped a reexamination of the merits of the assignor estoppel doctrine by once more carving an exception from the general rule. In that case, the defendant-assignor contended that the patent claimed to be infringed represented the same invention as a previously expired patent found in the prior art. The Court held that the doctrine of assignor estoppel was not available to the assignee "to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, which anticipates that of the assigned patent. . . ." *Id.* at 257. The Court found that the application of the doctrine in that instance was incompatible" with the patent laws which dedicate to public use the invention of an expired patent." *Id.* at 258. *Scott Paper* was a less-than-enthusiastic acknowledgment of assignor estoppel, but the Court was careful to distinguish its decision from previous applications of the doctrine: "To whatever extent that doctrine may be deemed to have survived the *Formica* decision or to be restricted by it, we think that case is not controlling here." *Id.* at 254.

Scott Paper is the most recent word from the Supreme Court on assignor estoppel. However, in *Lear, Inc. v. Adkins*, 395 U.S. 653, 23 L. Ed. 2d 610, 89 S. Ct. 1902 (1969), the Court addressed the somewhat analogous doctrine of licensee estoppel. Reasoning that "the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain[.]" the Court explicitly abolished licensee estoppel. Although *Lear* involved the licensing, rather than the assignment, of a patent, the opinion reviewed the history of "patent estoppel" in general, and indicated that the Court's previous decisions had sapped much of the vitality, if not the logic, from the assignment estoppel doctrine as well. Recalling *Scott Paper*, the Court asked, "If patent policy forbids estoppel when the old owner attempts to show that he did no more than copy an expired patent, why should not the old owner also be permitted to show that the invention lacked novelty because it could be found in a technical journal or because it was obvious to one knowledgeable in the art? . . . The *Scott* exception had undermined the very basis of the 'general rule.'" *Lear*, 395 U.S. at 666.

Lear resolved the issue of licensee estoppel by writing its obituary; but for courts wrestling with assignor estoppel it was less clear whether *Lear* had also sounded the death knell

for that doctrine. Certainly, there was nothing in its holding that eliminated the doctrine. Beyond the questioning dicta in Lear, the Court has left assignment estoppel untouched for the past nineteen years.

II.

The federal court cases, decided either shortly before Lear or since then, that discuss the doctrine of assignor estoppel reveal some uncertainty about the continued vitality of the doctrine. . . . If an assignee of a patent were allowed to challenge the patent, it could be placed in the legally awkward position of simultaneously attacking and defending the validity of the same patent.

III.

In examining Lear, one important distinction between assignors and licensees becomes apparent -- a distinction that cautions against the automatic application to assignment cases of the rationale underlying Lear and licensees. The public policy favoring allowing a licensee to contest the validity of the patent is not present in the assignment situation. Unlike the licensee, who, without Lear might be forced to continue to pay for a potentially invalid patent, the assignor who would challenge the patent has already been fully paid for the patent rights.

Assignor estoppel is an equitable doctrine that prevents one who has assigned the rights to a patent (or patent application) from later contending that what was assigned is a nullity. The estoppel also operates to bar other parties in privity with the assignor, such as a corporation founded by the assignor. See, e.g., *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.*, 110 F.2d 192, 195-96 (6th Cir. 1940). The estoppel historically has applied to invalidity challenges based on "novelty, utility, patentable invention, anticipatory matter, and the state of the art." *Babcock v. Clarkson*, 63 F. 607, 609 (1st Cir. 1894).

The four most frequently mentioned justifications for applying assignor estoppel are the following: "(1) to prevent unfairness and injustice; (2) to prevent one [from] benefiting from his own wrong; (3) by analogy to estoppel by deed in real estate; and (4) by analogy to a landlord-tenant relationship." *Cooper, Estoppel to Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy*, 18 Case W. Res. 1122 (1967). Although each rationale may have some utility depending on the facts presented by the particular case, our concern here is primarily with the first one.

Courts that have expressed the estoppel doctrine in terms of unfairness and injustice have reasoned that an assignor should not be permitted to sell something and later to assert that what was sold is worthless, all to the detriment of the assignee. Justice Frankfurter's dissent in *Scott Paper* explained that the doctrine was rooted in the notion of fair dealing. "The principle of fair dealing as between assignor and assignee of a patent whereby the assignor will not be allowed to say that what he has sold as a patent was not a patent has been part of the fabric of our law throughout the life of this nation." *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 260, 90 L. Ed. 47, 66 S. Ct. 101 (Frankfurter, J., dissenting). "The essence of the principle of fair dealing which binds the assignor of a patent in a suit by the assignee, even though it turns out that the patent is invalid or lacks novelty, is that in this relation the assignor is not part of the general public but is apart from the general public." Id. at 261-62. In other words, it is the implicit representation by the assignor that the patent rights that he is assigning (presumably for value) are not worthless that sets the assignor apart from the rest of the world and can deprive him of the ability to challenge later the validity of the patent. To allow the assignor to make that

representation at the time of the assignment (to his advantage) and later to repudiate it (again to his advantage) could work an injustice against the assignee.

IV.

Our holding is that this is a case in which public policy calls for the application of assignor estoppel. We are, of course, not unmindful of the general public policy disfavoring the repression of competition by the enforcement of worthless patents. Yet despite the public policy encouraging people to challenge potentially invalid patents, there are still circumstances in which the equities of the contractual relationships between the parties should deprive one party (as well as others in privity with it) of the right to bring that challenge.

Appellants argue that assignor estoppel is necessarily a variation of estoppel by conduct and should be governed by the traditional elements of equitable estoppel.¹ But the Supreme Court has never analyzed assignor estoppel by reference to the elements of equitable estoppel and has explicitly recognized assignor estoppel to be the functional equivalent of estoppel by deed. Westinghouse, 266 U.S. at 348-49. Estoppel by deed is a form of legal, not equitable, estoppel. AMP, Inc. v. United States, 182 Ct. Cl. 86, 389 F.2d 448, 452, 156 USPQ 647, 649, cert. denied, 391 U.S. 964, 20 L. Ed. 2d 878, 88 S. Ct. 2033 (1968). The Westinghouse Court did not specify whether assignor estoppel operates in precisely the same manner as estoppel by deed, which ordinarily prevents one from attacking any material fact found in the document (or deed) transferring the rights -- whether assignor estoppel would prevent an assignor from attacking a material fact found in the assignment, thereby preventing the assignor's assertion of invalidity. But the extent to which the concept of an estoppel by deed may or may not shape the doctrine of assignor estoppel, though it may often play a significant role, need not confine our application of the doctrine. As noted above, we believe that the primary consideration in now applying the doctrine is the measure of unfairness and injustice that would be suffered by the assignee if the assignor were allowed to raise defenses of patent invalidity. Our analysis must be concerned mainly with the balance of equities between the parties.

We note first that Dr. Welter assigned the rights to his inventions to Diamond in exchange for valuable consideration (one dollar plus other unspecified consideration -- presumably his salary over many years and other employment benefits). Dr. Welter also executed an inventor's oath, which stated his belief, *inter alia*, that he was the first and sole inventor, that the invention was never known or used before his invention and that it was not previously patented or described in any publication in any country. Furthermore, Dr. Welter apparently participated actively in the patent application process, including drafting the initial version of the claims and consulting on their revision.

Appellants would now defend against accusations of infringement by trying to show that the three patents in issue are invalid because the inventions either were inadequately disclosed by the specifications, lacked novelty, or would have been obvious to one of ordinary skill at the time the inventions were made. If appellants are permitted to raise these defenses and are successful in their proof, Dr. Welter will have profited both by his initial assignment of the

¹Brand Plastics Co. v. Dow Chemical Co., 267 F. Supp. 1010, 1013 (C.D. Cal. 1967), sets out the elements of equitable estoppel as follows:

(1) Ignorance of the party claiming estoppel of the matter asserted; (2) silence concerning matter where there is a duty to speak amounting to misrepresentation or concealment of a material fact; (3) action by the party relying on the misrepresentation or concealment; and (4) damages resulting if the estoppel is denied.

(quoting Nelson v. Chicago Mill & Lumber Corp., 76 F.2d 17, 21 (8th Cir. 1935)).

patent applications and by his later attack on the value of the very subjects of his earlier assignment. In comparison, Diamond will have given value for the rights to Dr. Welter's inventions only to have him later deprive Diamond of the worth of those assigned rights.

We agree with the district court that the equities weigh heavily in favor of Diamond. Although the doctrine of assignor estoppel may no longer be a broad equitable device susceptible of automatic application, the case before us is appropriate for its use. When the inventor-assignor has signed the Oath, Power of Attorney and Petition, which attests to his belief in the validity of the patents, and has assigned the patent rights to another for valuable consideration, he should be estopped from defending patent infringement claims by proving that what he assigned was worthless. That is an implicit component of the assignment by Welter to Diamond which is immune from contradiction. The inventor's active participation in the prosecution and preparation of the patent applications, as is alleged here, would tilt the equities even more heavily in favor of the assignee, but consideration of this factor is not necessary to the result.

It is also irrelevant that, at the time of the assignment, Dr. Welter's patent applications were still pending and the Patent Office had not yet granted the patents. What Dr. Welter assigned were the rights to his inventions. That Diamond may have later amended the claims in the application process (a very common occurrence in patent prosecutions), with or without Dr. Welter's assistance, does not give appellants' arguments against estoppel any greater force. Our concern must be the balance of the equities. The fact is that Dr. Welter assigned the rights to his invention, irrespective of the particular language in the claims describing the inventions when the patents were ultimately granted. Appellants should not be allowed now to destroy those rights by derogating the patents' validity. Cf. AMP, Inc., 389 F.2d at 452, 156 USPQ at 649-50 (legal estoppel, in context of implied license doctrine, prevents licensor (or assignor) who has licensed (or assigned) a definable property right for valuable consideration from attempting to derogate or detract from that right). . . .

CONCLUSION

Because we agree that the public policy behind the doctrine of assignor estoppel prevents these appellants from challenging the validity of the patents in issue, the district court's decision granting Diamond's motion to strike appellants' second, third and sixth affirmative defenses is affirmed.

- - -

NEWMAN, Circuit Judge, concurring.

I agree with the court's decision that the equities in this case favor imposing estoppel on the assignor, and with the court's recognition that elements analogous to estoppel by deed may also be considered. However, I believe that the relationship between assignee and assignor is preferably treated under the laws of contract and transfers of property,¹ rather than on a case by case equitable evaluation.

Assignor-assignee cases are typified by the facts at bar: the validity of the patent is attacked by the inventor/assignor who, having received the bargained-for consideration for the assignment, now seeks to impeach the invention (by challenging the validity of the patent) in

¹See 35 U.S.C. 261: Subject to the provisions of this title, a patent shall have the attributes of personal property.

order to use the subject matter for his own gain. Our decision today does indeed help to clarify the issues, but I write separately to state my belief that it is time to reaffirm the principle of assignor estoppel; that is, to reinstate assignor estoppel as the general rule rather than the exception. Such rule would place on the assignor/challenger the burden of proving that an apparently valid deed of assignment should not be enforced in accordance with the applicable laws of contracts and property transfers, rather than placing on the assignee the burden of proving that equity is on its side. . . .

The situation of the appellant Dr. Welter typifies modern industrial research environments, where inventor/assignors are supported by the assignee in salary, laboratory, staff, and equipment. Equally typical is the circumstance that subsequent investment by the assignee, in the development and commercialization of the invention, can dwarf the cost of making the invention itself. Much attention has been given to encouraging investment in research and commercialization of new products, and in providing incentives to offset the risk inherent in such activity. See, e.g., Report of the Advisory Committee on Industrial Innovation, U.S. Department of Commerce (1979). Giving realistic weight to our national interest in strengthening incentives for innovation, I believe that both public policy and experience weigh on the side of reaffirming the contractual integrity of patent assignments.

Students of the public policy invoked by the Supreme Court when it eliminated licensee estoppel in *Lear, Inc. v. Adkins*, 395 U.S. 653, 23 L. Ed. 2d 610, 89 S. Ct. 1902 (1969), have acquired a cynical view of the fruits of that policy. . . . The policy stated in *Lear*--the policy that overrode and negated the contractual integrity of the license agreement--is to achieve "full and free competition in the use of ideas which are in reality a part of the public domain". 395 U.S. at 670. But even *Lear*, the licensee, did not argue for any anticipated public advantage such as lower prices to the public. The only public benefit asserted, and obtained, was the invalidation of *Adkins*' apparently improvidently granted patent. The private benefit, of course, was the elimination of *Lear*'s royalty obligation while it continued the manufacture of the gyroscope it had licensed from *Adkins*. . . .

The Court in *Lear* apparently believed that "full and free competition" ensues when a patent is eliminated from the rolls. The experience of the marketplace is otherwise. The usual incentive to the patent licensee in taking the license is, and always has been, the opportunity for profit. If the destruction of a licensed patent would not enhance profits but instead facilitate the entry of competitors, this would surely be weighed by a licensee before embarking on a *Lear*-authorized challenge to the licensed patent. . . . It is common experience -- and common sense -- that challenges to patent validity by either licensees or assignors, albeit serving the private interest of the challenger, carry scant public benefit. The nobler expectations of *Lear* have few testimonials.

The past rejection of assignor estoppel appears to be based on respect for *Lear* and a reluctance to depart from the basic policy as to licensee estoppel expressed therein. Yet, as the majority observed, the policy considerations are not identical. In my view they are sufficiently different that rehabilitation of the doctrine of assignor estoppel is merited. Placing legal emphasis on the property and transfer aspects of patent assignments does not exclude equitable considerations, and the usual defenses to the contract of assignment, e.g. fraud or failure of consideration, may always be raised by an assignor. However, I know of no other property right that is treated by law as exempt from the normal precepts of commercial bargain and sale. We should repair this gap between outmoded theory and market reality.

Patent rights are indeed vested with strong elements of public interest, but this does not exclude giving due weight to all the interests involved. Thus although I join the court's judgment,

I would decline to give sustenance to a theory of public policy that both weakens the rule of law and disserves the national interest.



IV. Registered Intellectual Property Titles Contrasted with Recorded Land Titles

As noted earlier in these supplementary materials, several forms of intellectual property rely on federal statutory registration systems maintained by the United States Patent and Trademark Office and the United States Copyright Office. Registering ownership of intellectual property rights may seem similar in some ways to recording land titles in county deed registries. For example, both activities share a common purpose of providing public notice of ownership claims as well as transfers of interests in property. Legally, both provide recorded constructive notice to prevent claims of bona fide purchasers.

However, federal forms of intellectual property have centralized statutory registration and notice systems. In contrast, land title records are highly decentralized. County-based systems of recorded land titles disperse land title records across the countryside. Each state has its own set of recorded title priorities under the various state Recording Acts. (See discussion of the Recording Acts beginning at page 685 of the Dukeminier & Krier text.) As a result, the county-based decentralized land title registration systems discussed in the Dukeminier & Krier text beginning at page 725 are quite different from the centralized registration of federal intellectual property rights, such as patents, copyrights and trademarks.



V. INTELLECTUAL PROPERTY LICENSES

Real property licenses conferring limited rights to use land (discussed in the Dukeminier & Krier text at page 790) are only distantly related to various types of intellectual property licenses conveying rights to use intellectual property. Both types of licenses involve permission to use something valuable which is owned by someone else. But the two applications of the license concept have little else in common.

Licensing of intellectual property usually takes the form of contractual permission by the owner of intellectual property for another person to use in a particular way, while ownership remains in the licensor. Under intellectual property licenses, the licensees are permitted to use intellectual property in specific ways that the owners of the intellectual property would be entitled to prohibit were the uses not permitted under the licenses. There are many different types of intellectual property licenses. For example, a patent license may transfer the right to make the invention, or to use the art embodied in the invention or to sell the invention, or a combination of these rights. The patent license simply permits conduct which would otherwise have constituted infringement. Patent licenses can also be limited in other ways such as with regard to particular geographic areas. Trade secret licenses are similar, but also contain extensive provisions with regard to confidentiality.

Copyright owners can convey five different types of licenses: rights to reproduce the work, rights to create derivative works, rights to distribute the work, rights to perform the work and rights to display the work. These rights can be transferred to several different licensees. Copyright licenses may convey either exclusive or non-exclusive rights to use the copyrighted work. Creators of copyrighted works also have moral rights regarding attribution and integrity; but these moral rights, which are inherent in authors and creators, are not transferable and therefore not licensable. Moreover, copyright law has an important “first sale” doctrine that prohibits a copyright owner from exercising control over copyrighted products after they are sold, beyond the specific exclusive rights provided under the Copyright Act.

Trademarks can be licensed, provided the association of the goods or services with a particular source is maintained, since preventing customer confusion is at the heart of trademark protection. Trademark licenses are often limited to particular geographic areas. Trade secrets may also be licensed for use by others, usually through contracts with stringent confidentiality clauses.

Recent debates about software licensing - mostly in connection with new portions of the Uniform Commercial Code regarding software licenses - have begun to draw analogies between rights to use real estate and rights to use computer software. For legal purposes, transferring software can be treated either as a sale of a good, or as a sale of services, or as some combination of both. So-called “shrink-wrap licenses” (notices that are attached to the envelopes containing disks on which there is digitized information and programming) or “click-wrap licenses” (notices that appear on computer screens before access to data or program information is allowed) provide an interesting illustration.

It has been suggested that the restrictions on the use of intellectual property, that are frequently attached to software programs, may operate analogously to covenants running with the land. In other words, the computer software companies are described as seeking to impose “covenants running with the software” as legal obligations binding on all those who use their software. Consider these and other similar analogies as you explore the law that applies to rights regarding the use of land, known as servitudes.



VI. REGULATORY TAKINGS OF INTELLECTUAL PROPERTY

After reading the portions of the Dukeminier & Krier text which discuss regulatory takings by land use regulation, consider how the concept of regulatory takings might apply to valuable, but intangible, intellectual property such as trade secrets. The United States Supreme Court decision in the following case approved such an extrapolation from land use law to intellectual property law. At issue in this case are trade secrets, a form of intellectual property discussed earlier in this Supplement.

Monsanto accused the Environmental Protection Agency of misappropriating Monsanto's trade secrets and using them in the regulation of pesticides made by other manufacturers.

RUCKELSHAUS V. MONSANTO COMPANY

467 U.S. 986, 104 S.Ct. 2862 (1984)

Supreme Court of the United States

Justice BLACKMUN delivered the opinion of the Court.

In this case, we are asked to review a United States District Court's determination that several provisions of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), 61 Stat. 163, as amended, 7 U.S.C. § 136 et seq., are unconstitutional. The provisions at issue authorize the Environmental Protection Agency (EPA) to use data submitted by an applicant for registration of a pesticide¹ in evaluating the application of a subsequent applicant, and to disclose publicly some of the submitted data.

I

Over the past century, the use of pesticides to control weeds and minimize crop damage caused by insects, disease, and animals has become increasingly more important for American agriculture. . . .

As first enacted [in 1947], FIFRA was primarily a licensing and labeling statute. It required that all pesticides be registered with the Secretary of Agriculture prior to their sale in interstate or foreign commerce. §§ 3(a) and 4(a) of the 1947 Act, 61 Stat. 166-167. The 1947 legislation also contained general standards setting forth the types of information necessary for proper labeling of a registered pesticide, including directions for use; warnings to prevent harm to people, animals, and plants; and claims made about the efficacy of the product. §§ 2(u)(2) and 3(a)(3).

Upon request of the Secretary, an applicant was required to submit test data supporting the claims on the label, including the formula for the pesticide. §§ 4(a) and (b). The 1947 version of FIFRA specifically prohibited disclosure of "any information relative to formulas of products," §§ 3(c)(4) and 8(c), but was silent with respect to the disclosure of any of the health and safety data submitted with an application.²

¹ For purposes of our discussion of FIFRA, the term "pesticides" includes herbicides, insecticides, fungicides, rodenticides, and plant regulators. See §§ 2(t) and (u) of FIFRA, as amended, 7 U.S.C. §§ 136(t) and (u).

²Appellant here concedes, however, that as a matter of practice, the Department of Agriculture did not publicly disclose the health and safety information. Brief for Appellant 5, n. 5.

In 1970, the Department of Agriculture's FIFRA responsibilities were transferred to the then newly created Environmental Protection Agency, whose Administrator is the appellant in this case. . . .

Because of mounting public concern about the safety of pesticides and their effect on the environment and because of a growing perception that the existing legislation was not equal to the task of safeguarding the public interest, see S.Rep. No. 92-838, at 3-9; S.Rep. No. 92-970, p. 9 (1972); H.R.Rep. No. 92-511, at 5-13, Congress undertook a comprehensive revision of FIFRA through the adoption of the Federal Environmental Pesticide Control Act of 1972, 86 Stat. 973. The amendments transformed FIFRA from a labeling law into a comprehensive regulatory statute. . . .

Under FIFRA, as amended in 1978, applicants are granted a 10-year period of exclusive use for data on new active ingredients contained in pesticides registered after September 30, 1978. § 3(c)(1)(D)(i). All other data submitted after December 31, 1969, may be cited and considered in support of another application for 15 years after the original submission if the applicant offers to compensate the original submitter. § 3(c)(1)(D)(ii). If the parties cannot agree on the amount of compensation, either may initiate a binding arbitration proceeding. The results of the arbitration proceeding are not subject to judicial review, absent fraud or misrepresentation. The same statute provides that an original submitter who refuses to participate in negotiations or in the arbitration proceeding forfeits his claim for compensation. Data that do not qualify for either the 10-year period of exclusive use or the 15-year period of compensation may be considered by EPA without limitation. § 3(c)(1)(D)(iii).

Also in 1978, Congress added a new subsection, § 10(d), 7 U.S.C. § 136h(d), that provides for disclosure of all health, safety, and environmental data to qualified requesters, notwithstanding the prohibition against disclosure of trade secrets contained in § 10(b). The provision, however, does not authorize disclosure of information that would reveal "manufacturing or quality control processes" or certain details about deliberately added inert ingredients unless "the Administrator has first determined that the disclosure is necessary to protect against an unreasonable risk of injury to health or the environment." §§ 10(d)(1)(A) to (C). EPA may not disclose data to representatives of foreign or multinational pesticide companies unless the original submitter of the data consents to the disclosure. § 10(g). Another subsection establishes a criminal penalty for wrongful disclosure by a Government employee or contractor of confidential or trade secret data. § 10(f).

II

Appellee Monsanto Company (Monsanto) is an inventor, developer, and producer of various kinds of chemical products, including pesticides. Monsanto, headquartered in St. Louis County, Mo., sells in both domestic and foreign markets. It is one of a relatively small group of companies that invent and develop new active ingredients for pesticides and conduct most of the research and testing with respect to those ingredients.³

³A study by the Office of Pesticide Programs of the EPA showed that in 1977 approximately 400 firms were registered to produce manufacturing-use products. S.Rep. No. 95-334, p. 34 (1977). It was estimated that the 10 largest firms account for 75% of this country's pesticide production. Id., at 60. A correspondingly small number of new pesticides are marketed each year. In 1974, only 10 new pesticides were introduced. See Goring, *The Costs of Commercializing Pesticides*, International Conference of Entomology, Aug. 20, 1976, reprinted in Hearings on Extension of the Federal Insecticide, Fungicide, and Rodenticide Act before the Subcommittee on Agricultural Research and General Legislation of the Senate Committee on Agriculture, Nutrition, and Forestry, 95th Cong., 1st Sess., 250, 254 (1977).

These active ingredients are sometimes referred to as "manufacturing-use products" because they are not generally sold directly to users of pesticides. Rather, they must first be combined with "inert ingredients"--chemicals that dissolve, dilute, or stabilize the active components. The results of this process are sometimes called "end-use products," and the firms that produce end-use products are called "formulators." . . . A firm that produces an active ingredient may use it for incorporation into its own end-use products, may sell it to formulators, or may do both. Monsanto produces both active ingredients and end-use products. *Ibid.*

The District Court found that development of a potential commercial pesticide candidate typically requires the expenditure of \$5 million to \$15 million annually for several years. The development process may take between 14 and 22 years, and it is usually that long before a company can expect any return on its investment. *Id.*, at 555. For every manufacturing-use pesticide the average company finally markets, it will have screened and tested 20,000 others. Monsanto has a significantly better-than-average success rate; it successfully markets 1 out of every 10,000 chemicals tested. *Ibid.*

Monsanto, like any other applicant for registration of a pesticide, must present research and test data supporting its application. The District Court found that Monsanto had incurred costs in excess of \$23.6 million in developing the health, safety, and environmental data submitted by it under FIFRA. *Id.*, at 560. The information submitted with an application usually has value to Monsanto beyond its instrumentality in gaining that particular application. Monsanto uses this information to develop additional end-use products and to expand the uses of its registered products. The information would also be valuable to Monsanto's competitors. For that reason, Monsanto has instituted stringent security measures to ensure the secrecy of the data. *Ibid.*

It is this health, safety, and environmental data that Monsanto sought to protect by bringing this suit. The District Court found that much of these data "contai[n] or relate to trade secrets as defined by the Restatement of Torts and confidential, commercial information." *Id.*, at 562.

Monsanto brought suit in District Court, seeking injunctive and declaratory relief from the operation of the data-consideration provisions of FIFRA's § 3(c)(1)(D), and the data-disclosure provisions of FIFRA's § 10 and the related § 3(c)(2)(A). Monsanto alleged that all of the challenged provisions effected a "taking" of property without just compensation, in violation of the Fifth Amendment. In addition, Monsanto alleged that the data-consideration provisions violated the Amendment because they effected a taking of property for a private, rather than a public, purpose. . . .

After a bench trial, the District Court concluded that Monsanto possessed property rights in its submitted data, specifically including the right to exclude others from the enjoyment of such data by preventing their unauthorized use and by prohibiting their disclosure. 564 F.Supp., at 566. The court found that the challenged data-consideration provisions "give Monsanto's competitors a free ride at Monsanto's expense." *Ibid.* The District Court reasoned that § 3(c)(1)(D) appropriated Monsanto's fundamental right to exclude, and that the effect of that appropriation is substantial. The court further found that Monsanto's property was being appropriated for a private purpose and that this interference was much more significant than the public good that the appropriation might serve. 564 F.Supp., at 566-567.

The District Court also found that operation of the disclosure provisions of FIFRA constituted a taking of Monsanto's property. The cost incurred by Monsanto when its property is "permanently committed to the public domain and thus effectively destroyed" was viewed by the District Court as significantly outweighing any benefit to the general public from having the

ability to scrutinize the data, for the court seemed to believe that the general public could derive all the assurance it needed about the safety and effectiveness of a pesticide from EPA's decision to register the product and to approve the label. *Id.*, at 567, and n. 4.

After finding that the data-consideration provisions operated to effect a taking of property, the District Court found that the compulsory binding-arbitration scheme set forth in § 3(c)(1)(D)(ii) did not adequately provide compensation for the property taken. . . .

III

In deciding this case, we are faced with four questions: (1) Does Monsanto have a property interest protected by the Fifth Amendment's Taking Clause in the health, safety, and environmental data it has submitted to EPA? (2) If so, does EPA's use of the data to evaluate the applications of others or EPA's disclosure of the data to qualified members of the public effect a taking of that property interest? (3) If there is a taking, is it a taking for a public use? (4) If there is a taking for a public use, does the statute adequately provide for just compensation? . . .

This Court never has squarely addressed the applicability of the protections of the Taking Clause of the Fifth Amendment to commercial data of the kind involved in this case. In answering the question now, we are mindful of the basic axiom that " '[p]roperty interests ... are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law.' " *Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161, 101 S.Ct. 446, 451, 66 L.Ed.2d 358 (1980), quoting *Board of Regents v. Roth*, 408 U.S. 564, 577, 92 S.Ct. 2701, 2709, 33 L.Ed.2d 548 (1972). Monsanto asserts that the health, safety, and environmental data it has submitted to EPA are property under Missouri law, which recognizes trade secrets, as defined in § 757, Comment b, of the Restatement of Torts, as property. . . . The Restatement defines a trade secret as "any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it." § 757, Comment b. And the parties have stipulated that much of the information, research, and test data that Monsanto has submitted under FIFRA to EPA "contains or relates to trade secrets as defined by the Restatement of Torts." App. 36.

Because of the intangible nature of a trade secret, the extent of the property right therein is defined by the extent to which the owner of the secret protects his interest from disclosure to others. . . . Information that is public knowledge or that is generally known in an industry cannot be a trade secret. Restatement of Torts, *supra*. If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished. . . .

Trade secrets have many of the characteristics of more tangible forms of property. A trade secret is assignable. . . . A trade secret can form the res of a trust, . . . and it passes to a trustee in bankruptcy. . . .

Even the manner in which Congress referred to trade secrets in the legislative history of FIFRA supports the general perception of their property-like nature. In discussing the 1978 amendments to FIFRA, Congress recognized that data developers like Monsanto have a "proprietary interest" in their data. *S.Rep. No. 95-334*, at 31. Further, Congress reasoned that submitters of data are "entitled" to "compensation" because they "have legal ownership of the data." *H.R.Conf.Rep. No. 95-1560*, p. 29 (1978), *U.S.Code Cong. & Admin. News 1978*, pp.

1966, 2045.⁴ This general perception of trade secrets as property is consonant with a notion of "property" that extends beyond land and tangible goods and includes the products of an individual's "labour and invention." 2 W. Blackstone, *Commentaries* *405; see generally J. Locke, *The Second Treatise of Civil Government*, ch. 5 (J. Gough ed. 1947).

Although this Court never has squarely addressed the question whether a person can have a property interest in a trade secret, which is admittedly intangible, the Court has found other kinds of intangible interests to be property for purposes of the Fifth Amendment's Taking Clause. . . . That intangible property rights protected by state law are deserving of the protection of the Taking Clause has long been implicit in the thinking of this Court:

"It is conceivable that [the term "property" in the Taking Clause] was used in its vulgar and untechnical sense of the physical thing with respect to which the citizen exercises rights recognized by law. On the other hand, it may have been employed in a more accurate sense to denote the group of rights inhering in the citizen's relation to the physical thing, as the right to possess, use and dispose of it. In point of fact, the construction given the phrase has been the latter." *United States v. General Motors Corp.*, 323 U.S. 373, 377-378, 65 S.Ct. 357, 359, 89 L.Ed. 311 (1945).

We therefore hold that to the extent that Monsanto has an interest in its health, safety, and environmental data cognizable as a trade-secret property right under Missouri law, that property right is protected by the Taking Clause of the Fifth Amendment.

IV

Having determined that Monsanto has a property interest in the data it has submitted to EPA, we confront the difficult question whether a "taking" will occur when EPA discloses those data or considers the data in evaluating another application for registration. The question of what constitutes a "taking" is one with which this Court has wrestled on many occasions. It has never been the rule that only governmental acquisition or destruction of the property of an individual constitutes a taking, for

"courts have held that the deprivation of the former owner rather than the accretion of a right or interest to the sovereign constitutes the taking.

Governmental action short of acquisition of title or occupancy has been held, if its effects are so complete as to deprive the owner of all or most of his interest in the subject matter, to amount to a taking." *United States v. General Motors Corp.*, 323 U.S., at 378, 65 S.Ct., at 359.

See also *PruneYard Shopping Center v. Robins*, 447 U.S. 74, 100 S.Ct. 2035, 64 L.Ed.2d 741 (1980); *Pennsylvania Coal Co. v. Mahon*, 260 U.S. 393, 415, 43 S.Ct. 158, 160, 67 L.Ed. 322 (1922).

As has been admitted on numerous occasions, "this Court has generally 'been unable to develop any "set formula" for determining when "justice and fairness" require that economic injuries caused by public action' " must be deemed a compensable taking. . . . The inquiry into whether a taking has occurred is essentially an "ad hoc, factual" inquiry. *Kaiser Aetna*, 444 U.S., at 175, 100 S.Ct., at 390. The Court, however, has identified several factors that should be taken into account when determining whether a governmental action has gone beyond "regulation" and

⁴Of course, it was not necessary that Congress recognize the data at issue here as property in order for the data to be protected by the Taking Clause. We mention the legislative history merely as one more illustration of the general perception of the property-like nature of trade secrets.

effects a "taking." Among those factors are: "the character of the governmental action, its economic impact, and its interference with reasonable investment-backed expectations." *PruneYard Shopping Center v. Robins*, 447 U.S., at 83, 100 S.Ct., at 2041; see *Kaiser Aetna*, 444 U.S., at 175, 100 S.Ct., at 390; *Penn Central*, 438 U.S., at 124, 98 S.Ct., at 2659. It is to the last of these three factors that we now direct our attention, for we find that the force of this factor is so overwhelming, at least with respect to certain of the data submitted by Monsanto to EPA, that it disposes of the taking question regarding those data.

A

A "reasonable investment-backed expectation" must be more than a "unilateral expectation or an abstract need." *Webb's Fabulous Pharmacies*, 449 U.S., at 161, 101 S.Ct., at 451. We find that with respect to any health, safety, and environmental data that Monsanto submitted to EPA after the effective date of the 1978 FIFRA amendments--that is, on or after October 1, 1978--Monsanto could not have had a reasonable, investment-backed expectation that EPA would keep the data confidential beyond the limits prescribed in the amended statute itself. Monsanto was on notice of the manner in which EPA was authorized to use and disclose any data turned over to it by an applicant for registration.

Thus, with respect to any data submitted to EPA on or after October 1, 1978, Monsanto knew that, for a period of 10 years from the date of submission, EPA would not consider those data in evaluating the application of another without Monsanto's permission. § 3(c)(1)(D)(i). It was also aware, however, that once the 10-year period had expired, EPA could use the data without Monsanto's permission. §§ 3(c)(1)(D)(ii) and (iii). Monsanto was further aware that it was entitled to an offer of compensation from the subsequent applicant only until the end of the 15th year from the date of submission. § 3(c)(1)(D)(iii). In addition, Monsanto was aware that information relating to formulae of products could be revealed by EPA to "any Federal agency consulted and [could] be revealed at a public hearing or in findings of fact" issued by EPA "when necessary to carry out" EPA's duties under FIFRA. § 10(b). The statute also gave Monsanto notice that much of the health, safety, and efficacy data provided by it could be disclosed to the general public at any time. § 10(d). If, despite the data-consideration and data-disclosure provisions in the statute, Monsanto chose to submit the requisite data in order to receive a registration, it can hardly argue that its reasonable investment-backed expectations are disturbed when EPA acts to use or disclose the data in a manner that was authorized by law at the time of the submission.

Monsanto argues that the statute's requirement that a submitter give up its property interest in the data constitutes placing an unconstitutional condition on the right to a valuable Government benefit. See Brief for Appellee 29. But Monsanto has not challenged the ability of the Federal Government to regulate the marketing and use of pesticides. Nor could Monsanto successfully make such a challenge, for such restrictions are the burdens we all must bear in exchange for "the advantage of living and doing business in a civilized community." *Andrus v. Allard*, 444 U.S. 51, 67, 100 S.Ct. 318, 327, 62 L.Ed.2d 210 (1979), quoting *Pennsylvania Coal Co. v. Mahon*, 260 U.S., at 422, 43 S.Ct., at 162 (Brandeis, J., dissenting); see *Day-Brite Lighting, Inc. v. Missouri*, 342 U.S. 421, 424, 72 S.Ct. 405, 407, 96 L.Ed. 469 (1952). This is particularly true in an area, such as pesticide sale and use, that has long been the source of public concern and the subject of government regulation. That Monsanto is willing to bear this burden in exchange for the ability to market pesticides in this country is evidenced by the fact that it has continued to expand its research and development and to submit data to EPA despite the enactment of the 1978 amendments to FIFRA. 564 F.Supp., at 561.

Thus, as long as Monsanto is aware of the conditions under which the data are submitted, and the conditions are rationally related to a legitimate Government interest, a voluntary submission of data by an applicant in exchange for the economic advantages of a registration can hardly be called a taking. See *Corn Products Refining Co. v. Eddy*, 249 U.S. 427, 431-432, 39 S.Ct. 325, 327, 63 L.Ed. 689 (1919) ("The right of a manufacturer to maintain secrecy as to his compounds and processes must be held subject to the right of the State, in the exercise of its police power and in promotion of fair dealing, to require that the nature of the product be fairly set forth"); see also *Westinghouse Electric Corp. v. United States Nuclear Regulatory Comm'n*, 555 F.2d 82, 95 (CA3 1977).

B

Prior to the 1972 amendments, FIFRA was silent with respect to EPA's authorized use and disclosure of data submitted to it in connection with an application for registration. Another statute, the Trade Secrets Act, 18 U.S.C. § 1905, however, arguably is relevant. That Act is a general criminal statute that provides a penalty for any employee of the United States Government who discloses, in a manner not authorized by law, any trade-secret information that is revealed to him during the course of his official duties. This Court has determined that § 1905 is more than an "anti-leak" statute aimed at deterring Government employees from profiting by information they receive in their official capacities. See *Chrysler Corp. v. Brown*, 441 U.S. 281, 298-301, 99 S.Ct. 1705, 1715-1717, 60 L.Ed.2d 208 (1979). Rather, § 1905 also applies to formal agency action, i.e., action approved by the agency or department head. *Ibid.*

It is true that, prior to the 1972 amendments, neither FIFRA nor any other provision of law gave EPA authority to disclose data obtained from Monsanto. But the Trade Secrets Act is not a guarantee of confidentiality to submitters of data, and, absent an express promise, Monsanto had no reasonable, investment-backed expectation that its information would remain inviolate in the hands of EPA. In an industry that long has been the focus of great public concern and significant government regulation, the possibility was substantial that the Federal Government, which had thus far taken no position on disclosure of health, safety, and environmental data concerning pesticides, upon focusing on the issue, would find disclosure to be in the public interest. Thus, with respect to data submitted to EPA in connection with an application for registration prior to October 22, 1972, the Trade Secrets Act provided no basis for a reasonable investment-backed expectation that data submitted to EPA would remain confidential.

A fortiori, the Trade Secrets Act cannot be construed as any sort of assurance against internal agency use of submitted data during consideration of the application of a subsequent applicant for registration. Indeed, there is some evidence that the practice of using data submitted by one company during consideration of the application of a subsequent applicant was widespread and well known. Thus, with respect to any data that Monsanto submitted to EPA prior to the effective date of the 1972 amendments to FIFRA, we hold that Monsanto could not have had a "reasonable investment-backed expectation" that EPA would maintain those data in strictest confidence and would use them exclusively for the purpose of considering the Monsanto application in connection with which the data were submitted.

C

The situation may be different, however, with respect to data submitted by Monsanto to EPA during the period from October 22, 1972, through September 30, 1978. Under the statutory scheme then in effect, a submitter was given an opportunity to protect its trade secrets from

disclosure by designating them as trade secrets at the time of submission. When Monsanto provided data to EPA during this period, it was with the understanding, embodied in FIFRA, that EPA was free to use any of the submitted data that were not trade secrets in considering the application of another, provided that EPA required the subsequent applicant to pay "reasonable compensation" to the original submitter. § 3(c)(1)(D), 86 Stat. 979. But the statute also gave Monsanto explicit assurance that EPA was prohibited from disclosing publicly, or considering in connection with the application of another, any data submitted by an applicant if both the applicant and EPA determined the data to constitute trade secrets. § 10, 86 Stat. 989. Thus, with respect to trade secrets submitted under the statutory regime in force between the time of the adoption of the 1972 amendments and the adoption of the 1978 amendments, the Federal Government had explicitly guaranteed to Monsanto and other registration applicants an extensive measure of confidentiality and exclusive use. This explicit governmental guarantee formed the basis of a reasonable investment- backed expectation. If EPA, consistent with the authority granted it by the 1978 FIFRA amendments, were now to disclose trade-secret data or consider those data in evaluating the application of a subsequent applicant in a manner not authorized by the version of FIFRA in effect between 1972 and 1978, EPA's actions would frustrate Monsanto's reasonable investment-backed expectation with respect to its control over the use and dissemination of the data it had submitted.

The right to exclude others is generally "one of the most essential sticks in the bundle of rights that are commonly characterized as property." *Kaiser Aetna*, 444 U.S., at 176, 100 S.Ct., at 391. With respect to a trade secret, the right to exclude others is central to the very definition of the property interest. Once the data that constitute a trade secret are disclosed to others, or others are allowed to use those data, the holder of the trade secret has lost his property interest in the data.⁵ That the data retain usefulness for Monsanto even after they are disclosed--for example, as bases from which to develop new products or refine old products, as marketing and advertising tools, or as information necessary to obtain registration in foreign countries--is irrelevant to the determination of the economic impact of the EPA action on Monsanto's property right. The economic value of that property right lies in the competitive advantage over others that Monsanto enjoys by virtue of its exclusive access to the data, and disclosure or use by others of the data would destroy that competitive edge.

EPA encourages us to view the situation not as a taking of Monsanto's property interest in the trade secrets, but as a "preemption" of whatever property rights Monsanto may have had in those trade secrets. Brief for Appellant 27-28. The agency argues that the proper functioning of the comprehensive FIFRA registration scheme depends upon its uniform application to all data. Thus, it is said, the Supremacy Clause dictates that the scheme not vary depending on the property law of the State in which the submitter is located. Id., at 28. This argument proves too much. If Congress can "pre-empt" state property law in the manner advocated by EPA, then the Taking Clause has lost all vitality. This Court has stated that a sovereign, "by ipse dixit, may not transform private property into public property without compensation.... This is the very kind of

⁵We emphasize that the value of a trade secret lies in the competitive advantage it gives its owner over competitors. Thus, it is the fact that operation of the data-consideration or data-disclosure provisions will allow a competitor to register more easily its product or to use the disclosed data to improve its own technology that may constitute a taking. If, however, a public disclosure of data reveals, for example, the harmful side effects of the submitter's product and causes the submitter to suffer a decline in the potential profits from sales of the product, that decline in profits stems from a decrease in the value of the pesticide to consumers, rather than from the destruction of an edge the submitter had over its competitors, and cannot constitute the taking of a trade secret.

thing that the Taking Clause of the Fifth Amendment was meant to prevent." Webb's Fabulous Pharmacies, Inc. v. Beckwith, 449 U.S., at 164, 101 S.Ct., at 452.

If a negotiation or arbitration pursuant to § 3(c)(1)(D)(ii) were to yield just compensation to Monsanto for the loss in the market value of its trade-secret data suffered because of EPA's consideration of the data in connection with another application, then Monsanto would have no claim against the Government for a taking. Since no arbitration has yet occurred with respect to any use of Monsanto's data, any finding that there has been an actual taking would be premature.

...

In summary, we hold that EPA's consideration or disclosure of data submitted by Monsanto to the agency prior to October 22, 1972, or after September 30, 1978, does not effect a taking. We further hold that EPA consideration or disclosure of health, safety, and environmental data will constitute a taking if Monsanto submitted the data to EPA between October 22, 1972, and September 30, 1978; the data constituted trade secrets under Missouri law; Monsanto had designated the data as trade secrets at the time of its submission; the use or disclosure conflicts with the explicit assurance of confidentiality or exclusive use contained in the statute during that period; and the operation of the arbitration provision does not adequately compensate for the loss in market value of the data that Monsanto suffers because of EPA's use or disclosure of the trade secrets.

V

We must next consider whether any taking of private property that may occur by operation of the data-disclosure and data-consideration provisions of FIFRA is a taking for a "public use." We have recently stated that the scope of the "public use" requirement of the Taking Clause is "coterminous with the scope of a sovereign's police powers." Hawaii Housing Authority v. Midkiff, 467 U.S. 229, 240, 104 S.Ct. 2321, 2329, 81 L.Ed.2d 186 (1984); see Berman v. Parker, 348 U.S. 26, 33, 75 S.Ct. 98, 102, 99 L.Ed. 27 (1954). The role of the courts in second-guessing the legislature's judgment of what constitutes a public use is extremely narrow. Midkiff, *supra*; Berman, *supra*, at 32, 75 S.Ct., at 102. . . .

So long as the taking has a conceivable public character, "the means by which it will be attained is ... for Congress to determine." Berman, 348 U.S., at 33, 75 S.Ct., at 103. Here, the public purpose behind the data-consideration provisions is clear from the legislative history. Congress believed that the provisions would eliminate costly duplication of research and streamline the registration process, making new end-use products available to consumers more quickly. Allowing applicants for registration, upon payment of compensation, to use data already accumulated by others, rather than forcing them to go through the time-consuming process of repeating the research, would eliminate a significant barrier to entry into the pesticide market, thereby allowing greater competition among producers of end-use products. . . . Such a procompetitive purpose is well within the police power of Congress. See Midkiff, 467 U.S., at 241-242, 104 S.Ct., at 2329-2330. . . . We further observe, however, that public disclosure can provide an effective check on the decision-making processes of EPA and allows members of the public to determine the likelihood of individualized risks peculiar to their use of the product. . . .

We therefore hold that any taking of private property that may occur in connection with EPA's use or disclosure of data submitted to it by Monsanto between October 22, 1972, and September 30, 1978, is a taking for a public use. . . .

Because we hold that [a claim under] the Tucker Act is available as a remedy for any uncompensated taking Monsanto may suffer as a result of the operation of the challenged

provisions of FIFRA, we conclude that Monsanto's challenges to the constitutionality of the arbitration and compensation scheme are not ripe for our resolution. . . .

VIII

We find no constitutional infirmity in the challenged provisions of FIFRA. Operation of the provisions may effect a taking with respect to certain health, safety, and environmental data constituting trade secrets under state law and designated by Monsanto as trade secrets upon submission to EPA between October 22, 1972, and September 30, 1978. But whatever taking may occur is one for a public use, and a Tucker Act remedy is available to provide Monsanto with just compensation. . . .

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Justice O'CONNOR, concurring in part and dissenting in part.

. . . In my view public disclosure of pre-1972 data would effect a taking. . . . It is important to distinguish at the outset public disclosure of trade secrets from use of those secrets entirely within EPA. Internal use may undermine Monsanto's competitive position within the United States, but it leaves Monsanto's position in foreign markets undisturbed. As the Court notes, . . . the likely impact on foreign market position is one that Monsanto would weigh when deciding whether to submit trade secrets to EPA. Thus a submission of trade secrets to EPA that implicitly consented to further use of the information within the agency is not necessarily the same as one that implicitly consented to public disclosure.

It seems quite clear--indeed the Court scarcely disputes--that public disclosure of trade secrets submitted to the Federal Government before 1972 was neither permitted by law, nor customary agency practice before 1972, nor expected by applicants for pesticide registrations. The Court correctly notes that the Trade Secrets Act, 18 U.S.C. § 1905, flatly proscribed such disclosures. . . . It is hard to imagine how a pre-1972 applicant for a pesticide license would not, under these circumstances, have formed a very firm expectation that its trade secrets submitted in connection with a pesticide registration would not be disclosed to the public. . . . It seems to me that the criminal sanctions in the Trade Secrets Act therefore created at least as strong an expectation of privacy before 1972 as the precatory language of § 10 created after 1972. . . .

